Daily Report

East Europe

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Albania: Ceka Interviewed on 'Successful' U.S. Visit

AU2107155796 Tirana KOHA JONE in Albanian 19 Jul 96 p 9

[Interview with Democratic Alliance President Neritan Ceka by J. Godole; place and date not given: "Successful Visit to the United States"]

[FBIS Translated Text] [Godole] Mr. Ceka, how would you comment on the visit of the delegation of the Democratic Alliance [AD] to the United States. Who invited you?

[Ceka] I cannot say that there was a single invitation, because our contacts were at all levels, and involved a dialogue rather than a single invitation. As for our visit, it was a very important working visit, both because the AD become a direct spokesman for the entire Albanian opposition in the United States, but also because we expressed our views about the situation in Albania and even our proposals for solving it.

[Godole] Who listened to you, and where?

[Ceka] We were listened to at all levels of U.S. political decisionmaking, starting from the White House, where we met Richard Schifter, the counselor for national security, with whom we had a very constructive talk, especially because Schifter has followed closely Albanian politics and its role in the Balkans.

We were received at the State Department by Assistant Secretary of State Timothy Wirth. We had a talk with him and his staff about the situation and its solution, always on the basis of the conduct of free elections in Albania. At the State Department, we also met the director for the Balkan, Mr. Swiggers, and his staff, to whom the AD was represented by myself, Imami, and Pashko presented our views about the current situation and possible ways out. We had many meetings at the U.S. Congress with senators and congressmen, among whom we might mention Senator Engel, who deals directly with Albania and is chairman of the Albanian group in the Congress, and with other Republican and Democratic congressmen, whose views, we noticed, had not changed a whit about the need for free and clean elections in Albania. We also had meetings with the director and deputy director of the Voice of America, and with Mr. Geshmend, the director of the Institute for Democracy. We had other meetings in New York with the Association of Parliamentarians for Global Action, and with the staff of THE NEW YORK TIMES and TIME. All these meetings made up the extensive contacts during the AD's visit to the United States, starting from the White House and ending with the U.S. press.

[Godole] Meanwhile, the official media have during the last few days been underlining the fact that you also took part in some commemorative events in Boston as the guests of the reactionary Greek lobby.

[Ceka] Our entire visit concentrated on official circles or on the U.S. media and we had no meetings beyond this framework. We did not go to Boston, although I would have liked to go because it was there that my father in law, Professor Skender Luarasi, studied, and there is a patriotic Albanian community there that is following the situation in Albania with great attention. If I had been in Boston, my place would have been among these Albanians and I would not have had any wish to visit the Greek diaspora.

[Godole] You say that you talked to the U.S. authorities about the elections and the abuses of 26 May. What place did new elections assume in your discussions?

[Ceka] The main question in Albania remains the state's legitimacy at a time when we have a parliament based on stolen votes that is nothing but a creature of the Democratic Party. We are in exactly the same position as in 1991, when we had a temporary president and an unelected parliament and we were still faced with the task of structuring the political parties and the need for efforts on the part of the state to shape democracy. We therefore think that the main task is to hold free elections, not only to ensure the state's legitimacy, but to restore the Albanian people's faith that elections of this kind can be held in Albania and that they are the only way of preserving the achievements of democracy and even of sustaining the political class that is at risk of degenerating, becoming corrupted by the present regime, and being reduced to a caricature, as is evident from the "basketball five" in the parliament. This would end up in a surrogate democracy.

The first task is to hold local elections. These, as was also said at Strasbourg, must be held under international monitoring. The rules of the elections must be decided at a roundtable of parties, There must be a proper electoral law that will ensure free and secret elections. This is the only way in which stable democracy can be restored to Albania.

[Godole] Can one in the meantime hope for new, free, and regular elections?

[Ceka] These can of course be conducted because one cannot swim against the tide as the Democratic Party is doing, especially not against the tide of the United States and Europe. I think the time has come for the question of free and fair elections to become an issue for the political parties, because they are the main mechanisms for these elections. It would be a good thing to keep

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President Berisha's hands off them; he may decide the date but not involve himself with the problems of the elections.

[Godole] Meanwhile President Berisha continually repeats that the elections will be in the year 2000. Were possible sanctions against Albania, if elections are not held, mentioned in your discussions with the U.S. authorities?

[Ceka] The urgent need to hold free and secret elections was discussed to legitimize the state. This does not correspond to Berisha's statements about the year 2000.

It is vital to expose those responsible for the rigging and violence on 26 May. After their responsibility is brought to light, they can be amnestied, because no more plots for revenge must be hatched. Free elections must then follow as soon as possible in order to regularize the government.

[Godole] How do you explain, as part of the context of your visit to the United States, the attacks in the official press during the last few days against the authorities of the U.S. Embassy in Tirana.

[Ceka] I would call this a total lack of responsibility. It is well-known who is in charge of the newspaper ALBANIA and there is only one solution—to hope the heat wave passes as soon as possible.

[Godole] Does the success of your visit belong to the AD, or also to other forces of the opposition?

[Ceka] I think that this visit was one of the channels for dialogue between the United States, as a champion of world democracy, and the Albanian political forces. It was a privilege that the AD was the first to receive, and which I hope will be extended to other political forces, including the Democratic Party, and that will also define the main guidelines on which democracy must be reestablsihed through a restoration of the free and secret ballot.

[Godole] It has been rumored that your delegation experienced problems, and that Pashko even struck you. How true is this?

[Ceka] I think that the Albanians are used to this kind of slander. Pashko was a member of the delegation, always courteous, kind, and capable in his work. The delegation got through a mountain of work harmoniously and with total success. Everybody knows that hooliganism is not in the AD's repertoire, but is part of the morality of those in power today. This hooliganism is also absorbed immediately by the radio-television, which has demonstrated a total lack of responsibility under the present regime. President Berisha, whether in his attacks on the U.S. Embassy or his other vulgar assaults must realize that he is in the eye of a storm.

[Godole] Following the talks you had in the United States, what is the relationship between the government and the opposition over the elections in Albania?

[Ceka] I think that the Americans are as one. The hope among some circles in Albania of finding a crack between the Republicans and the Democrats on the threshold of the U.S. presidential election campaign is a crazy dream like many others the regime nurtures today. They are fixated on the legitimacy of their rule.

Albania: Relations With U.S. Seen 'Inexorably Deteriorating'

AU2107204596

[FBIS Report] Tirana KOHA JONE and POLI I QENDRES in Albanian on 21 July comment extensively on President Berisha's alleged refusal to meet U.S. Assistant Secretary of State Wirth, reported by KOHA JONE on 20 July. No other Albanian papers on either 20 or 21 July report or comment on this case.

KOHA JONE carries on page 3 a 600-word commentary by Emin Barci entitled "Berisha Endangers Relations With the United States," which reads:

"'Berisha is leading us not merely into a freeze, but a breach of good and genuine relations with the United States,' Socialist Party [PS] Deputy Secretary Sabit Brokaj said about the president's failure to receive Assistant Secretary of State Wirth. Democratic Alliance Secretary Arben Imami, newly returned from the United States, said that 'Berisha as a politician is merely completing in a much shorter time a cycle covered by Hoxha over 40 years.' Why has Berisha gone so far? If we bear in mind the official statements of the U.S. administration and the demands addressed to Berisha since 26 May, everything is clear. The U.S. Government was the first to declare the Albanian elections invalid and to officially call for them to be repeated. It would be natural for Assistant Secretary of State Wirth to report to Berisha's face the standpoint of his government. It is obvious that Berisha is not prepared to listen to such criticism and moreover is not brave enough to tell the Americans that their demands for early elections will not be met. Berisha lied once to Wirth when he promised during the election campaign that the elections would be entirely free and democratic. An American cannot be lied to twice, especially by Berisha. Following this unexpected behavior by President Berisha, the public and the political world are trying to calculate the consequences. Brokaj of the PS underlined, 'Berisha is hereby breaking off ties not just with a personality but

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with an administration that has primary importance for democratic developments in Albania.' Does a burning of bridges been the breaking off of diplomatic relations between the United States and Albania? Imami of the AD does not imagine a conclusion of this kind, although he drew a parallel between Berisha and Hoxha's unexpected breach of relations with Russia entirely for personal interests. Brokaj thinks that Berisha himself will suffer the most serious consequences. 'For us in the opposition it is good for Berisha to show himself to the West exactly as he is,' he said. Imami is convinced that these consequences will spread across a much wider circle than the name of Berisha and his official post. 'The consequences of this policy will be harmful for Berisha, but also for the Albanians, because Berisha's obstinacy shows that he has no intention of looking for an early solution,' Imami says. Brokaj expresses optimism that the effects on ordinary Albanians can be minimized when he says, 'The United States has enough power in its hands to tighten the noose round Berisha's neck.' Yet how will this happen when many Albanians see or think that he has powerful support from the conservative European right, especially in Germany and Britain? Imami has a reply for this too. 'The first negative effect of this irresponsible behavior by Berisha is that the United States will use its influence on its European partners. I am sure that Italy, Germany, and Britain are three states that love the United States more than they do Albania.'"

KOHA JONE also carries on pages 5 and 24 a 1,000-word commentary by Gavrosh Levonja, entitled "Washington Under the Pressure of Berisha's Boycott."

After recalling various "symptoms" showing that "something has been amiss" in U.S. Albanian relations for some time, including the U.S. protests at the dismissal of Supreme Court Chairman Zef Brozi, the withdrawal of Ambassador Lake, and the State Department report on human rights in Albania, Levonja mentions "Berisha's stubborn insistence on elections in the year 2000" and continues: "In his 'unshaken' stand, Berisha imagines that the Americans will find it difficult to find anyone else in Albanian politics who will play the American game better than Berisha. However, one cannot exclude the possibility that Berisha is hoping to hold out for several months while dreaming of a victory for the Republican Dole in the November presidential elections. On this basis, Berisha's recent 'nationalistic' statements about Kosova can be seen as his attempt to undermine the peace process in the former Yugoslavia, which is one of the main pillars on which Clinton is basing his campaign for reelection. Berisha is above all forgetting that not only the Americans but others too are in search not of blind tools but serious and able politicians who will be their partners and will understand and perform the political moves that the situation demands. Berisha showed that he is a poor player two years ago, when he did not obey Washington over putting an end to the trial of the fife members of the Greek minority. This incident may have been a turning-point in Berisha's relations with the United States.

"Of course, while sensing the change of taste in Washington as far as the Albanian political stage is concerned, the Albanian leader now sees fit to 'save his skin' by cutting off or reducing as far as possible all his ties with the United States, a pattern of thinking typical of dictators."

Levonja concludes:

"Berisha's chances of winning a test of strength with the United States are virtually nil, if we remember the lessons of history, in which such people as Noriega, Somosa, and the 'black colonels' of Athens have been removed from the political stage as a result of such contests. The recent defeat of Radovan Karadzic is a case in point.

"Knowing our president's obstinacy, it is possible that he will hold out to the end with his idea of 'elections in the year 2000,' and there is nothing surprising in forecasting a new isolation of the country, of which foreign politicians are also warning. In this case, our president would not even be showing the mettle of Radovan Karadzic, who agreed to sacrifice himself and to finally withdraw from political life for the sake of his people's interests. Of course, no real comparison can be made between our president and an accused war criminal like Karadzic, but for the democratic world stealing votes is a kind of crime."

POLI I QENDRES carries on page 3 a 500-word commentary by B. Morina entitled "Berisha Ruins Relations," which states:

"Sali Berisha is cutting off the branch on which we are all sitting. Six years after the United States joined the list of the countries with which Albania has diplomatic relations and only a few months after these relations reached their culminating point, the ties between Washington and Tirana are inexorably deteriorating. The very people who until yesterday saw the United States as the country's main political partner are the cause of this."

Morina concludes: "The time when James Baker was welcomed by 400,000 people in Tirana is long gone. Now, Assistant Secretary of State Wirth does not come to meet Albanian officials because 'they are busy.' The regime will doubtless have to pay politically for this cold-war logic. If they agree with the pragmatic logic that the bad drives out the bad, the opposition should be very pleased at the regime's present attitude toward the

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United States. However, we are all at risk of drowning in the mud stirred up by the state. Mr. Berisha's hand must be stopped before he entirely ruins relations with the world's largest democratic country. Any reversion to the attitudes of communism would be fatal for Albanian democracy."

Albania: Commentary on Greek Criticism, Rome's Call for Elections

AU1907180596 Tirana KOHA JONE in Albanian 19 Jul 96 p 3

[Commentary by G.L.: "New Elections—a Fait Accompli"]

[FBIS Translated Text] Berisha never imagined that the elections of 26 May would be such a mouthful for Europe and the United States to swallow. His total unpreparedness for their attitude has been evident from the manner in which he has tried to reject the judgments of the United States and European institutions, blaming sometimes the "extremist" Greek lobby in the United States and sometimes the European "extreme left" for an anti-Albanian or pro-communist attitude in their resolutions and statements about the Albanian elections. The same thinking has guided Berisha in his tactic of "faits accomplis" in his political behavior at home, in which he has achieved his purposes without difficulty. However, in contrast to the tractability of the Albanian opposition, which Berisha has easily entangled by his maneuvers, the determination to discount the 26 May elections that is evident among foreigners, even among those who earlier made Berisha their darling, has been his sole anxiety, but an unexpected one.

Yesterday will be an unforgettable day for Berisha, if only in the negative sense, as far as the elections are concerned. First, the Greek Government, so far restrained in its criticism of the elections and laying itself open to criticism from its partners over this, tweaked the ear of Berisha and one of his advisers by advising them to cease their accusations against Greeks living outside Greece. However, the worst surprise came from Rome, where the new foreign minister, Shehu, had no doubt gone to receive a blessing for the government that emerged from the adventure of 26 May. His Italian counterpart told him with minimal courtesy to open talks with the opposition and hold new elections because Italy wanted to see "a fully democratic vigor in Albanian politics."

The fact that the Italian foreign minister also mentioned the name of the Italian emissary, Vittorio Ferrari, as an observer of the dialogue between the government and the opposition shows that, for Italy, a rerun of the parliamentary elections in Albania goes without saying.

As for the local elections, for which Berisha made the first preparations yesterday, they will be a dress rehearsal for the parliamentary elections that the international community demands. They will be a test for Berisha more than for anyone else, to show how far he has reached democratic standards. It will be difficult for Berisha's character as a highlander to stand up to the demands of Europe and the United States.

Albania: Italy's Dini Urges Talks With Opposition, New Elections

AU1907181096 Tirana KOHA JONE in Albanian 19 Jul 96 p 1

[Report by V. Prela: "Italy: New Elections Soon"]

[FBIS Translated Text] Italian Foreign Minister Lamberto Dini yesterday issued an appeal to Albania to begin talks with opposition parties and call for new general elections in the wake of the elections of 26 May, which have been criticized by the entire Western world. The statement was issued by the Italian Foreign Ministry in the course of a meeting with newly appointed Albanian Foreign Minister Tritan Shehu. Dini announced that Italy wants to see "a fully dynamic democracy in Albanian politics and a start to dialogue between the government and the opposition." Lamberto Dini, during Italy's tenure of the EU Presidency, cancelled a planned visit to Albania as a sign of the objection of the united Europe to the irregularities noted in the general parliamentary elections in our country.

According to REUTERS, Dini told Shehu that talks of this kind "must create a political and electoral situation that will make it possible to restore the conditions of full democracy and constitutional normality, including the possibility of calling new elections as soon as possible."

Italy, after a short hesitation, has found an opportunity to make public to the Albanian Government its opinion that the elections of 26 May and 2 June, in which Berisha's Democratic Party took 87 percent of the vote, have provoked international disapproval and the condemnation of irregularities at the polls.

Rome has for long tried to avoid misunderstandings with her Albanian neighbor. Italy is our country's most important Western partner and the Italian Government has taken pains not to create any ambiguity in its relations with Albania. It appears, however, that Rome will not forgive the statement that Berisha made after the West's call for new elections, that the next parliamentary elections in Albania will be in the spring of 2000, something that he repeated again yesterday. This seems to be a challenge issued to Foreign Minister Dini.

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Foreign Minister Dini told his Albanian counterpart that Italy wishes to send a special emissary in the shape of Luigi Vittorio Ferrari to Tirana in order to talk to the government and the opposition parties. Official Italian sources did not wish to comment on this proposal by Dini and were unwilling to supply details of when this Italian mediation will begin.

Following the United States, Italy is the second country that has openly spoken out against the dream of Berisha and his Democratic Party team of not accepting the Western proposal of new general elections. Berisha has claimed so far that the opposition to the 26 May elections has been the result of organized opposition from the Greek lobby and U.S. politicians. The first visit of new Foreign Minister Tritan Shehu sufficed to show that, not only Washington, but Brussels too is determined to stand by its conclusion that new parliamentary elections in Albania are absolutely vital.

Albania: Center Pole Demands U.S., EU Election Supervision

AU2007173396 Tirana POLI I QENDRES in Albanian 19 Jul 96 p 1

[Statement issued by the Democratic Alliance and the Social Democratic Party in Tirana on 18 July: "Local Elections: Only Under the Supervision of the Council of Europe"]

[FBIS Translated Text] The parties of the Center Pole have been watching attentively and with particular anxiety the repetition of the preelectoral farce in the president's office.

The Center Pole believes that the basic, acute, and unavoidable problem facing Albanian society is the organization of free elections. The Center Pole also believes that it was the president and the Democratic Party that stole the votes of Albanian citizens on 26 May and that they cannot make any guarantee for future elections.

The Center Pole insists that the only way of proceeding to free and honest elections, in this case local elections, is to act according to the European resolutions and the demands of the U.S. State Department, which will inevitably include a roundtable of parties (not the president's roundtable) under the supervision of the Council of Europe and with close monitoring and observation of the elections by the Council of Europe. Any other maneuver will compromise this course of action and lead to a repeat of the crime of 26 May. The president's roundtable does not represent dialogue, neither in the roundabout way the parties have been chosen (for which witness the case of the Democratic Alliance) or the way in which representatives of the parties have been selected (as in the case of the Social-Democratic Party).

We underline that the dialogue required for elections does not begin with deciding the election date. On the contrary, deciding the date is an attempt to close this dialogue.

The Center Pole does not understand why the Socialist Party has felt impelled to legitimize and give credibility to Berisha and the Democratic Party, especially if this has been in order to secure the positions of the party leaders within the party. At least "non bis in idem" (not the same thing twice). In the situation that has arisen, the Center Pole suggests a meeting of the parties in order to prescribe specific improvements to the law and to agree on a common platform for a meeting with the Council of Europe.

Albania: Berisha Says Talks on Local Elections 'Fruitful'

AU2007175996 Tirana RILINDJA DEMOKRATIKE in Albanian 19 Jul 96 p 1

[Report on news conference with Albanian President Sali Berisha in Tirana on 18 July: "Local Elections at the End of October—Albania Remains an Open Country"]

[FBIS Translated Text] [Berisha] "We have just completed an important meeting with the political forces represented in local government. At this meeting, I asked the representatives of these parties for suggestions for the date of the local government elections. I expressed the view that the law on the functions of local government, in general accordance with the programs of most of the political parties, must be changed in order to decentralize responsibilities, especially the financial responsibilities of local government. The law on elections must also be scrutinized and if necessary improved, even though it is a law under which the opposition won a majority of local councilors' seats and of leading positions in local government. I can confirm that after the meeting there was a consensus over the date of the local elections. It was decided together that this date will be one of the Sundays in the last two weeks before the legal deadline.

"It was also jointly decided that the law on local government should be reexamined at a discussion table of parties and that the necessary steps must be taken to further decentralize the responsibilities of local government. I insisted that there must be a permanent party commission for this. There were ideas that it should be independent. My view is that it should be separate from the law, but that its composition should involve party representatives and that it should be permanent. Nevertheless, this will be decided at the roundtable of political

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parties. Another proposal was to repeal the Genocide Law. It did not as a whole meet with broad support. There were political forces that opposed this proposal, but there were views that the possibility of changing it as far as communal councilors are concerned might be examined. There were other views that the law should be made tighter. Anyway, I think that the Law on Screening Official Figures and the Genocide Law must be amended in the future by the Albanian parliament.

"Another idea that met with broad support was to have in the Electoral Law not an antiboycott article but a clause laying down the legal responsibilities of members of commissions to carry out the duties until the end, so that the right to a political boycott may stand as an inalienable right, but that departure from a commission will be considered an act of irresponsibility under the law, and what happened on 26 May will not be repeated. This proposal found quite wide support. I can say that the meeting was very fruitful."

President Berisha then replied to journalists' questions. In reply to a question about the further commitments of the Democratic Party [PD], Mr. Berisha replied: "The PD will commit itself as a party to organizing local elections very soon. The government began with important measures for the reform. It freed the prices of bread and associated products and of paraffin and gas for heating. These are very important measures in the reform process. I congratulate the government on these measures, and also on the measures it took to compensate those people who will need compensation because of these prices. Of course, privatizing large economic sectors will be the main goal for the government in the months to come."

Regarding the elections, Mr. Berisha told journalists that "the elections will be open. Albania remains an entirely open country. Just as there were observers for the second ballot, there will be no limits on observers."

Asked by a journalist why the Social-Democratic Party was absent from the meeting, the president of the republic replied: "You must ask them. They were invited and I have no information about the reason for their absence." Asked by a journalist whether any date had been set aside for the party consultations, Mr. Berisha replied: "They (that is, the parties) must agree among themselves. However, they agreed to deal with the Electoral Law as a priority matter and then the law on the functions of local government, because the decentralization of local government finances in particular could come into effect next year, even though the financial year is in progress and it is difficult to make changes."

In reply to a journalist who wished to know whether, now that we are heading toward local government elections, the elections of 26 May will no longer be mentioned, Mr. Berisha explained that "the parliamentary elections will take place on approximately 21 May 2000, in the first spring of the next century. Of course, 21 May is not a final date, because the president will have to consult the political parties at the appropriate time in order to decide the election date."

Albania: Berisha Announces Start of Local Election Campaign

AU2207115696 Tirana ATA in English 1319 GMT 22 Jul 96

[By A. Sakja]

[FBIS Transcribed Text] Tirana, July 21 (ATA)—The Democratic Party of Albania (DP) declared on Sunday the beginning of official preparations for the campaign of local candidatures in local governing be covered by women and youths because in this way, he said, "we meet the constant demand of the Albanian electorate for renewal."

The President also suggested the election of experts, specialists and intellectuals, devoted and distinguished for their honesty and virtues. "This is the surest way of victory," the president added.

Berisha reconfirmed DP's "readiness for coalition" and explained that: "We will support the parties whose programmes we consider close to ours."

Berisha said they might also support the chosen candidatures, mainly in the run off ballot, and maybe also in the first round of elections, "when one of the coalition parties has a very good candidature...on condition that this candidate be suggested the DP programme points.

"If the candidate undertakes to implement these common programme points, this would help improve local administration and not belittle the DP authority in the slightest," Berisha added.

Berisha considered the electoral process and its improvement a dynamic process of capital importance for the functioning of democracy in Albania. He concentrated on some of the CE [Council of Europe] and OSCE resolution recommendations including the issues of permanent electoral commission, ballot papers and official election protocol, which he said "really serve the interest of the electoral process."

The President of the Republic considered indispensable the setting up of a permanent party commission, with candidatures proposed by various political parties which will have official responsibility to carry out several

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formalities for a limited period of time and see to the constant improvement of the electoral process and culture at home.

The president proposed that the avoidance of the counting boycott be sanctioned by law. He considered this boycott "a new variant of proletarian revolution."

This law will face the member of the electoral commission with certain legal sanctions so that he does not withdraw from the voting before the official deadline.

Afterwards, Berisha referred to the law on scrutinizing the figure of senor officials, known as the law of files, and aired the view that the members of the commune councils be not included [passage indistinct].

The President also suggested the election of experts, specialists and intellectuals, devoted and distinguished for the Socialist Party "a process of positive reformation," however stressing that "the Albanian rivers will need a long time to flow to get rid of their Enverism and Stalinism."

Berisha welcomed the condemnation of Enver Hoxha, Marx, etatism in economy and all other SP efforts, describing them as "efforts in the positive direction" and as "serious efforts to dissociate themselves from the past."

Albania: Ceka Criticizes PS Role in Talks With Berisha

AU2107201696 Tirana KOHA JONE in Albanian 20 Jul 96 p 3

[Report by Ilir Babameto: "Democratic Alliance Denounces the Socialist Party Leaders"]

[FBIS Translated Text] The liberal democrats have unleashed a storm of criticism against the Socialist Party [PS] leadership. The participation of two PS deputy chairmen at the discussion table organized by Berisha two days ago [18 Jul] has led to a major clash between the opposition parties. he Democratic Alliance [AD] reacted immediately. Feeling betrayed by their erstwhile allies' participation in the talks with Berisha, the AD's response was a bitter one.

"All Berisha's vassals of all colors are going to meet him," AD President Neritan Ceka said about the discussion table organized by Berisha to decide the date of the local government elections. Ceka did not exclude the PS' reddish pink from the colors of the parties at Berisha's table. "They sat down at a discussion table of slaves," the liberal-democrat leader said about his former allies. Ceka considers the talks at the Presidency to have been an attempt by Berisha to use diversionary tactics against the opposition parties. "The president has no right to direct the dialogue among the parties On the basis of the Constitution, he merely decides the election date after the parties reach a consensus," Ceka says. For the Alliance leader, the talks at the Presidency were "beating the wind, with the PS in the role of the bat." Even though only the marginal parties that agreed to take part in the parliament produced by the votes counted by the Democratic Party have so far taken part in the president's discussion table, this time two leaders of the largest opposition party went to talk to the president alongside representatives of the satellite parties. After the meeting, Pellumbi said the talks had been constructive. "There are some people or parties that will not learn from history," Ceka said, reminding Pellumbi that he had said the same about the roundtable organized by the president before the 26 May elections. "At that discussion, Berisha promised that the elections would be fair, but he then organized the electoral farce of 26 May. I do not understand how one can attend a discussion table that is merely a sequel to this deception." He said that the AD supports another discussion table. "The talks among the parties must be directed by representatives of European organizations and not the people who devised the electoral farce of 26 May."

If the AD and the PS cooperated extensively in the 26 May elections, the prospects for their relationship look dim. The next elections could even find the Socialists and the liberal-democrats in two opposing camps. "If the PS persists in the same political attitude toward Berisha, we will struggle against both Berisha and the PS," said Gjergj Zefi, chairman of the AD Assembly, outlining his party's policy. He said that this conclusion had been reached at a meeting of the party's presidency, which decided what stand to take toward the AD's former allies.

Meanwhile, the PS's oldest deputy chairman in years [Servet Pellumbi] seems not to have understood what had happened when he told KOHA JONE yesterday that "If the AD wants to make a show or create a fuss about nothing, it is they who are adding grist to Berisha's mill."

Albania: PS's Pellumbi Protests Center Pole's 'Name-Calling'

AU2107203496 Tirana KOHA JONE in Albanian 20 Jul 96 p 3

[Report by A. Vata: "Socialist Party: Do Not Call Us Names, We Have Our Tactics"]

[FBIS Translated Text] "Such situations involving name-calling and prior judgements of the behavior and tactics of political forces would create an unnecessary state of affairs in which the cooperation between our

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parties would disintegrate," Socialist Party [PS] Deputy Chairman Pellumbi said yesterday. This was the official reaction of the PS to the denunciations of the parties of the Center Pole, especially the Democratic Alliance, following the bilateral meeting between the PS and the Democratic Party and the presence of the PS at the meeting called by Berisha to discuss the local elections. "We do not prejudge anybody and everybody has the right to maintain his own attitudes and to criticize. However, it would be better not to resort to name-calling," Pellumbi calmly said yesterday immediately after reading of his party being called "a party of slaves sitting at Berisha's table." Pellumbi said that every political party decides its own behavior and tactics itself. He went on to say that "name-calling and lack of tolerance do not encourage this climate that we want to create in order to pave the way for the enforcement of resolutions whose leitmotiv is dialogue and new elections." The PS deputy chairman said that the PS had not abandoned its demand for a repeat of the elections at the discussion tables it had attended, but called continued dialogue among the parties a well-chosen Socialist tactic that will "restore democracy and gradually lead to new elections."

The response of the parties of the Center Pole and the Democratic Party of the Right came immediately after the announcement of the date for the local elections at the meeting of the president with the satellite parties and the PS. The two PS deputy chairmen said that the talks were on the right lines and that a common language might be found in order to embark on local elections. It is this on which the Center Pole concentrates its criticism, recalling that the presidential discussion table was similar to the one before 26 May, at which the opposition gained nothing from talking to the government. This time, the remainder of the opposition believes that dialogue with Berisha must involve certain conditions, on whose fulfillment participation in the elections would depend. Pellumbi replied to this by mentioning the right of each party to decide for itself, saying that the party has thought about its tactics in the political struggle.

Albania: Nano Urges Party To Reform, Warns of 'Intrigues'

AU2107202796 Tirana ZERI I POPULLIT in Albanian 21 Jul 96 p 3

[Letter from Socialist Party Chairman Fatos Nano to the General Management Committee and members of the Socialist Party, from Bence Prison on 15 July: "Let Us Unfold Together Our Abilities To Shoulder Our Historical Responsibilities"]

[FBIS Translated Text] Brothers and sisters, dear comrades and friends: I am convinced, like you, that today we must unfold together all our capacities and our vital abilities to shoulder our historic responsibilities for the future and to further affirm the values of our alternative, which enjoys the support of the majority of the Albanian electorate.

Even though isolated in Bence Prison, I know well the situation of the political crisis in Albania after the 26 May elections and the state of the Socialist Party [PS] and the Albanian electorate. As chairman of the PS, the country's largest opposition force, I have analyzed with anxiety Berisha's electoral farce and putsch and the complex activities of the PS and the entire opposition.

My standpoint toward the great deception of 26 May fully supports the stand of the opposition on the political withdrawal of all its candidates. My conclusion has the aim of completing the analysis from a broader viewpoint, without altering the substance of this decision.

The complex situation and the need for tangible action at home alongside our duty and responsibility to adapt ourselves as quickly as possible to the recommendations of foreign organizations have faced the PS with the need for immediate analysis and action for reform out of respect for the sacrifices of our electorate on 26 May.

I am convinced that my political initiative embodied in the "Motion for Debate in the General Management Committee on the Theses of the Second Congress" aims to further deepen the process of reforming, transforming, and modernizing the PS as a political force prepared to rise above the Albanian "political swamp" and able to conduct dialogue both in times of crisis like today and in the prosperous times that are expected, as an active partner of other political forces at home and abroad, thus finally creating the political culture of an open society and our profile as social-democrats, drawn together in solidarity on the basis of principle rather than personalities.

The motion is also intended to offer a clear response to Berisha's challenges and attempts to control the process of renewal in the PS and thus to perpetuate his authoritarian rule. This political movement of changes at many levels brooks no unprincipled compromises, and still less any mean bargaining at the expense of the electorate and the destiny of the nation!

The motion does not divert the PS from its present prime objective, which is the liberation of the fragile democratic institutions of Albania from "Berisha's regime"

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and the restoration of democratic and constitutional normality, starting with free and fair elections.

Although I am isolated in the extreme from Berisha's regime, I have during the last few days followed with special attention and concern all the discussion and reaction to this motion both within the PS and beyond. I wish to take this opportunity to publicly thank and congratulate the members of the General Management Committee, the majority of whom succeeded, as worthy, civilized, moderate, cultured, and farsighted partners, in personifying the morals and lofty principles of the politics of change which the motion puts forward as an expression of our common future.

Because it is firmly based on the rules of the Statute, this motion is an open invitation to debate and does not favor or exclude anybody of goodwill who is taking an active part in the necessary reform of the PS. This principled political initiative does not stigmatize anybody and has at its core the principle of solidarity in change and political altruism as opposed to personal careerism.

The idea of the motion made a fast impression against the background of the anxiety and despair caused to our electorate by the great deception of 26 May and the emergency situation that has followed. It demanded the prompt delineation of a clear strategy of tangible and fast action to carry out the necessary reforms in management, starting from the top. I therefore judge that the delegates of the first phase of the PS Second Congress [March 1996], which approved the PS Electoral Program, possess the necessary intellectual ability to successfully carry out the reform, a process that has been continual and uninterrupted since the PS was created.

The motion was carried, in the teeth of mediocrity, meanness, vanity, and a disturbing absence of ability to conduct democratic dialogue and debate, a failing that leads to fear of a free vote, of alternative ideas, and of a competition of ideas rather than of "brass hats."

We all won, because we finally created the awareness among ourselves and the public (and not merely the Socialists) that even the PS suffers from the same disease as the other Albanian parties, because the mentality of its bureaucrats does not permit the political emancipation of the electorate (not merely the Socialist electorate), and is the main obstacle to the maturation and confirmation of the PS's governing abilities and responsibilities.

Yet this is not all.

We won, because we succeeded in accurately demonstrating that "sinners" have penetrated even into the PS and are working to turn the main force of the genuine opposition into a "Laco Party." [reference to the Social-Democratic Union of Minister of Culture Teodor Laco]

In spite of them, the closing phase of the Second Congress [24-25 August] will show the PS strengthened and civilized in line with modern standards of democracy. One sign of this internal democratization is my refusal to direct the working group preparing the political report for the congress. We must become used to such democratic and open practices as that of a chairman elected by a congress describing his own work and the performance of his duties by means of a personal report, especially when he sees this as a necessary part of his political responsibilities.

Brothers and sisters, In connection with any malpractice committed at my expense by anybody within or outside the party, I take this opportunity to repeat to you my firm, constant, and determined stand against Berisha's authoritarian regime. I also wish to stress that a political prisoner who has been in jail for three years solely because he is chairman of the PS cannot engage in mean bargaining or "compromises." These must be the province of some corrupt mean-minded creature who, forced to flirt with Berisha, intrigues in all kinds of ways against the PS and the life of its chairman.

Each of you must be aware that this principled motion cannot in any way alleviate my personal position or add to my political reputation. It is entirely in the service of the PS's political credibility and reputation.

I am convinced that, in the nature of the reform we are offering to the PS, we are creating an example of how to open the gates to the honest competition of ideas and alternatives in the PS's decisionmaking bodies, in contrast to the exclusive practices pursued thus far.

I am optimistic that the PS will win as the alternative of progress, working for Albania through dialogue and through free votes.

We invite the entire progressive Albanian opposition (each in his own place), all intellectual forces, and the public, to unite in this historic front-movement for progress. The sooner we carry out this emancipating reform, the sooner we will emerge from this present political blind alley, saving the people and Albania from explosive "amalgams," the atavism of Berisha's regime, and from harmful Albanian political traditions.

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Albania: Nano's Letter Allegedly Will Deepen Split in PS

AU2107203096 Tirana KOHA JONE in Albanian 21 Jul 96 p 4

[Commentary by Arian Cani: "Nano Loses Patience"]

[FBIS Translated Text] Nano has finally lost patience. "You are sinners, flirting with Berisha, not me. You make your report to the congress and I will make mine." This is the gist of the most recent letter the imprisoned chairman has sent to the Socialist leaders who have been dissatisfied with his motion. However, more than a message, Nano's most recent letter looks like a revolt against those who failed to understand the reform he proposed. This time, the tone is more brusque. Nano's letter is expected to further deepen the split that has now begun in the party. "Bureaucrats, sinners, brass hats, flirtation, mediocrity, meanness," writes Nano about the atmosphere of debate after the motion and about those who tried to stifle it. This stance is expected to provoke an immediate response from those who feel these labels are aimed at them. Nevertheless, Nano appears optimistic, and, as if to confirm this, insistently writes that his motion was carried, thanking all those who spoke and voted for the reform.

With special frankness, the imprisoned Socialist chairman writes that the Socialist Party [PS] suffers from the same diseases as the other Albanian parties. For this, Nano blames "bureaucrats that do not allow the political emancipation of the electorate." His letter, like his previous one, is not at all addressed to the current presidium, which he bypasses by appealing directly to the party's General Management Committee. He sheds light on a fact not previously mentioned in the correspondence from Bence, mentioning sinners who have penetrated the PS and are acting to turn it into a Laco-Party. Nano does not name names, implying that these people are now well-known. Nano's letter now finally confirms the lines that have been drawn up within the party, and in one of them Fatos Nano himself can no doubt be ranked. Even though he is not in a very comfortable position, it appears that the PS leader has no other choice. In his letter sent from prison, Nano issues a strong appeal to the future delegates to the Socialist congress. "I believe in your abilities and intellectual capacities to carry out the reform," he writes, confirming that he will present his personal report to the great gathering. Under these circumstances, the important assembly of Socialists will vote on two platforms on 26 August, on the platform of the working group without Nano and the platform of the imprisoned Socialist chairman. The "war" has now begun. Meanwhile, the other PS leaders will very soon set off in the direction of their people at the grass roots. Nano has already issued his message to the delegates. So far, Nano has always been one step ahead.

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Bulgaria: Rumor About Report of U.S.-Backed Coup Plot

AU2307100296 Sofia KONTINENT in Bulgarian 23 Jul 96 p 1

[Unattributed report: "Secret Report Allegedly Disseminated by a Leader in the BSP Predicts Killings and Bombs"]

[FBIS Translated Text] Sources report that a leader in the BSP [Bulgarian Socialist Party] has disseminated a secret report about a coup being planned in Bulgaria.

According to the report, President Zhelev is to assume power following a bloody putsch. The Americans are allegedly financing his dream of winning full control in the country, unidentified secret services mentioned in the report claim.

The United States has allegedly allocated $30 million for the coup in Bulgaria. The first $3 million installment has already arrived in Sofia.

The bomb that exploded in the basement of the National Palace of Culture is reportedly part of a scenario for destabilization. Now terrorists are reportedly on the move. They are supposed to kill renowned Bulgarian journalists who have criticized the Videnov government.

The blame for the coup is to be cast upon the BSP, while the coup organizer Zhelev is supposed to appear as the nation's savior.

The specter of "a state of emergency" has been at large in the country for a week now. An officer from the special services claims that specialists from the group of friends have deliberately circulated the rumor about the secret report, which is meant to further destabilize the situation. They say that the rumors and counterstatements are increasing the tension between the authorities.

On Wednesday, 15 July Videnov is reported to have spoken to top army officers about "the need for unified action between the army and the cabinet in the event of extraordinary situations." According to top army men who took part in the Thrace '96 exercise in Cheralitsa, the prime minister's sharp tone was influenced by Zhelev's threat to outlaw the BSP.

Bulgaria: Russian Military Equipment Arrives

AU2207171896 Sofia Khorizont Radio Network in Bulgarian 1600 GMT 22 Jul 96

[FBIS Translated Text] The first 25 Russian tanks and 50 infantry vehicles, which are a part of the total of 200 tanks and military vehicles that Russia donated our country, arrived today at the Varna port. The military equipment has been withdrawn from service in the Russian Army in accordance with the Conventional Forces in Europe Treaty. According to experts, the tanks and the armored carriers are almost new, and they have not used more than 10 to 30 percent of their potential.

After receiving the total quantity of 100 tanks and 100 armored carriers, Bulgaria will have to cut corresponding quantities of tanks and armored carriers from its Armed Forces.

The festive ceremony of receiving the weapons was attended by Defense Minister Dimitur Pavlov, Russian Ambassador Aleksandr Avdeyev, and Tsvetan Totomirov, head of the General Staff. The Russian side was represented by Deputy Defense Minister Andrey Kokoshin and Deputy Foreign Minister Nikolay Atanasyevskiy.

In his brief speech, Minister Pavlov pointed out that this military equipment arrives at a very important moment for the Bulgarian Army, and expressed gratitude to the Russian Government for the gesture.

General Tsvetan Totomirov was asked by our reporter Dimitur Dimitrov when the Bulgarian Army will be able to purchase new weapons, and whether only Russian weapons will be considered.

[Begin Totomirov recording] We have an entire program on rearming the Bulgarian Army, which is coordinated with the most modern technologies existing in the world today. We have plans to purchase new weapons, but everything depends on the means we will have at our disposal. More precisely, I must say that we are striving first of all to purchase our own production and only then to search for weapons that our country does not produce. [end recording]

Bulgaria: Article Claims IMF Will Not Solve Crisis

AU2207152096 Sofia PARI in Bulgarian 22 Jul 96 p 5

[Article by Lyudmila Videnova: "Bulgaria Is Just Entering a Crisis, Not Emerging From One"]

[FBIS Translated Text] Following exceptionally difficult and confused negotiations, we are receiving the IMF standby loan. The price of the agreement is the fulfillment of the government reform for developing the market economy. We have already felt the icy blast of bank failures, but it is not finished yet. Expectations of change have now moved to the debtor companies that have been sentenced to isolation, but this change has not yet started working. However, in the entire system of the government program to give fresh impetus to the transition, the ordinary citizen has the coldest and most uncomfortable place. He is paying fearful prices for electricity, central heating, bread, transportation, housing,

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taxes, and in fact for everything, and his understandable indignation (to put it mildly) will turn in the direction in which the stories of the politicians and the media point it.

This has even happened already. The IMF and the government were accused of secret deals, in which the prosperity of the taxpayer was bartered. The government, having fulfilled its obligations with written programs and memorandums to the loan provider, will now have to do the sensible thing and explain publicly through the media exactly what the conditions of the fourth standby agreement are. It also owes us an explanation as to why it concluded the agreement at this particular moment and at this price. It is not at all a question of anyone committing hara-kiri; it is a matter of honesty in public relations. The clever politician would explain his plans to the taxpayer not only because he has a duty to, but also because he knows that it is easier to govern with the consent of the people. Now, the government has to start to manage the most serious and important economic processes since the start of the reform—liquidations, company closures, an onslaught on the incomes of the population, tax pressure, and so on. In a word, we are starting again on the old idea of a market economy, for a second time, and with a second price shock. Unless we now succeed in catching up with the other countries of Central and Eastern Europe that have forged ahead of us, we will become a bugbear for disobedient political children. Unless the state and the taxpayers manage this time to reach an understanding about the direction that the government has merely mapped out, a fresh collapse of confidence in the intentions, the program, and the lev will certainly follow. The difficult time has not yet arrived; it still lies ahead. However, it will be impossible for us to overcome it without a social compact between the citizens and the government. Unless this comes about, the efforts and sacrifices so far will all have been in vain and we will again find ourselves hanging in limbo, in a state of insecurity and extreme poverty.

The problem that the rulers now must solve is not to win the elections or to replace media bosses, but to achieve national consensus on the path of the reform. Neither the majority's electorate nor its parliamentary majority are sufficient for this. The agreement of all taxpayers and parties is required, along with their cooperation, and this will not happen through pompous statements, or even if someone casts ashes on his head. [sentence as published] The consensus can only be achieved by a government that honestly and respectfully not only sets out its program, but also states its goals and admits its errors. It must openly and completely clearly tell the public about what it will do to improve their situation, and how and when it will do it. The consensus is necessary because the money now coming from the IMF can only mean postponing uncomfortable economic decisions until tomorrow. Unless each day is utilized to stabilize the economy, the banks, financial discipline, and legislation, we cannot expect any more concessions from anyone. We are now more calm, we will pay our foreign debt obligations in July, but we should not forget that new payments fall due in every coming month. The grain crisis that the cabinet has so zealously kept silent about will swallow up foreign currency for grain imports. Our agreements for gas supplies from the Yamburg field expire at the end of this year, ensuring our gas supplies will cost us more money next year. And next year, we must make our largest payment ever on our debt to the IMF. This money cannot be provided from taxes alone. The simple truth is that the economy has to be put back on its feet within the space of a few months, after it has been led toward ruin over a period of six years. How will this government manage to pull this off? We are entitled to hear its answer. If it is honest with us regarding its aims and means, we will be bound to support it, regardless of its political color and convictions, because Bulgaria has not emerged from the crisis, but is now entering it.

Bulgaria: Commentary Views IMF Loan as Granting Respite

AU2307120496 Sofia DUMA in Bulgarian 23 Jul 96 p 7

[Commentary by Simeon Simeonov: "The Money Is Coming, the Rest Depends on Us"]

[FBIS Translated Text] The long-awaited agreement with the IMF is now a fact. Washington has promised us more than we hoped for. We expected to receive $507 million, but they are giving us $585 million, half of which we will receive this year.

For a certain time, our country has been given a respite from a joyless future with no end in sight. The latest standby agreement will undoubtedly have a positive effect. However, there will also be someone who will give us instructions, tell us what to do, and box our ears when we make a nuisance of ourselves; in other words, we already have a kind of father. He gives us the money, and we spend it, but if he does not like how we are developing or how we are spending the money, then no more dollar tranches. Without the greenbacks, we are lost. Again, next year does not look like being rosy. This is our fourth attempt with "father"; in our three previous ones we were relatively "naughty." This time, therefore, the control cannot fail to be stringent.

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Bank insolvencies, erosion of people's incomes, a rate of 150 leva to the dollar, company closures, privatization—the "parent" has imposed his demands with an iron hand. Some of them we have already fulfilled, others we have to think about in the future, but alas, since we are a poor country and have no oil lake beneath the Balkan Range, we have to conform to the demands. We have to obey many instructions, one hopes to God that there will be something for us to eat. God forbid that under the wise instructions of the parental body we are not pushed into a worse mess.

It is not that we ourselves have no ideas on what we have to do, but due to one reason or another, be it social or personal, we have lacked the will to carry them out. Again, various experts, advisers, and other competent people have not always managed to agree on the path in which we should direct the country and how we should do it.

We have known for some time that 1996 is a hard year, let us at least hope that the second half of the year will be better, and not like the last two months.

Father is here, the only question is what the outcome will be.

Bulgaria: Gazprom Reviews Participation in Topenergy Deal

AU2207124296 Sofia DUMA in Bulgarian 22 Jul 96 p 5

[Article by Ventsislav Petrov in Varna: "Gazprom Chief To Decide About Topenergy in September"]

[FBIS Translated Text] Gazprom Chief Rem Vyakhirev will announce his decision on whether the Russian gas company will continue its participation in Topenergy when he is in Sofia at the beginning of September. This information emerged following the conclusion of the general meeting of Overgas in Varna. Vyakhirev will come to Sofia in six weeks, announced Nikolay Vulkanov, the Overgas vice president responsible for investment policy.

According to informed sources, the withdrawal of Andrey Lukanov from his post of member of Topenergy's Board of Directors and cochairman was the result of a personal arrangement between Mr. Lukanov and Rem Vyakhirev. Prime Minister Zhan Videnov has also been informed of the change. Bogdan Budzulyak, Gazprom's representative on the Topenergy board, also hinted at this. Gazprom will not yield in its demand to be the sole owner of the future transit gas pipelines to Macedonia [The Former Yugoslav Republic of Macedonia—FYROM], Serbia, Greece, and Turkey, specialists who attended the talks claim. Informed sources recall that Bulgaria wants a concession granted for the pipelines. According to Vulkanov, Gazprom is inclined to seek a compromise on the issue of transit fees. The Russians wanted them reduced from 8 to 4 percent, but now they are inclined to agree on 6 or 7 percent. Experts comment that Bogdan Budzulyak went home irritated by the obstinacy of the Bulgarian executive regarding the ownership of the pipelines. Gas for Turkey can also pass through Tajikistan, while the gas for Serbia can go through Hungary, Budzulyak said before his departure. Participants in the talks claim that, in the interest of Topenergy and the Bulgarian state, Andrey Lukanov assumed an unofficial commitment to mediate in settling the issue and reach a mutually acceptable compromise.

Bulgaria: Topenergy Chief Views Lukanov's Removal

AU2207095196 Sofia TRUD in Bulgarian 20 Jul 96 p 4

[Interview with Sasho Donchev, Bulgarian chief executive of Topenergy, by Nevyana Troyanska; place and date not given: "Rem Vyakhirev Also Had a Hand in Relieving Lukanov"]

[FBIS Translated Text] [Troyanska] Mr. Donchev, what is your comment on Andrey Lukanov's removal from the Topenergy management?

[Donchev] I do not want to offend anyone, but I do not know whether Andrey Lukanov can say he was surprised by the decision. There is some logic in the events. Lukanov certainly laid the ground for politicizing the situation surrounding Topenergy. The first of the arguments for his removal, which he himself mentioned in his application to resign, was that he did not want to be the cause of raising the tension, which does not come only from the government. Remember Edvin Sugarev's repeated questions in parliament and the continuous theorizing about how far Lukanov's membership of Topenergy presents a risk. I thank God that Lukanov has taken account of this.

[Troyanska] Did Rem Vyakhirev [Russian Topenergy chief] exert any influence to remove Lukanov?

[Donchev] You continuously look for influence exerted from the great centers of power. These undoubtedly exist. Rem Vyakhirev certainly had some influence in removing Lukanov, but this is, within a commercial company, duly registered under the Commerce Act. A procedure exists for adopting decisions, and the members of the Supervisory Board select members or relieve them of their positions.

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Bulgaria: OSD's Raychev Demands Dismissal of Videnov

AU2207135796 Sofia TRUD in Bulgarian 22 Jul 96 p 9

[Statement by Andrey Raychev at the Alliance for Social Democracy, OSD, Political Council meeting on 21 July: "Zhan Videnov Must Be Removed Before Elections"]

[FBIS Translated Text] Today, we must say clearly: the king is naked. The party is constantly discussing defects in the cut of the king's clothes. However, the king is naked!

What trump cards did the Bulgarian Socialist Party [BSP] hold on 18 December 1994? All the trump cards! The BSP had the opportunity to rule in a manner that no one after 10 November 1989 could afford. It enjoyed the country's confidence on the eve of a difficult period. The people were even prepared to tolerate harsh measures on the part of the party, something no one could hope for in the past.

What do we have now as a result now, after 18 months of BSP government? We have no economic reforms, and we have totally exhausted our reserves. We have an unprecedented BSP isolation, greater than the one in 1991. We have a disgusting situation within the BSP, in which mistrust, suspicion, rumors, gossip, and a lack of responsibility reign. This is an unprecedented situation in the BSP since 10 November 1989. We have no help outside the party. The dialogue with all partners has died. Our internal freedom was our most important trump card. Now it has disappeared. We are sitting covered with sweat, seeing how incapable the rulers are, and do not know what to do. Why? We all are talking about it in our homes, thus restoring the idiotic habit of the Bulgarian Communist Party of doing nothing and waiting for someone to topple Todor Zhivkov. Madness! At the same time, we totally lost the confidence of the people. We present our economic and political impotence as a profoundly conceived structural reform. This is not true. There is no connection between the structural reform and the bread crisis. Shivarov [former minister of agriculture] is not responsible. Did he not replace Chichibaba [former minister of agriculture]? Did Videnov not appoint him? This means that Videnov is responsible. This is unprecedented political and economic incompetence.

All this gives us at least two reasons for thinking that the party must immediately relieve Videnov of his leading posts. First—he is leading in a bad manner. I do not know anyone in Bulgaria who could claim the opposite, except for Comrade Videnov himself, who declared in March that he is ruling in a brilliant manner. One month afterward the dollar reached 200 leva, bread disappeared, and the reform has not begun.

The second reason for demanding his removal is the fact that this is the party's only chance to improve a little its own confidence and the confidence of the people in the BSP. We are being told that this must not happen prior to the presidential campaign. Why not—we have no chance anyway of winning this campaign. Not with Pirinski and not even with Saint Peter as our candidate! One year ago, Pirinski could win 70 percent of the votes—and this even without conducting any presidential elections campaign. We could save a lev or two. Now he needs a miracle to win!

Two questions emerge: When should the party replace Videnov, and where should this be done? Should this happen prior to the presidential elections, through the BSP Supreme Council, or through the parliamentary faction? The best thing is to remove him before the elections and through the Supreme Council. This could give the party legitimation as a political force that knows how to renew itself. Replacing Videnov after the presidential elections and through the parliamentary faction is the worst variant. Those elections must not be used as an excuse. Videnov's thesis that the BSP must win the elections is outrageous. The main task of a political force is not to stay in power but to rule well. As it is, we do not have the president on our side, and we are still doing whatever we want. I clearly understand that if we lose the elections shamefully, the people will respectfully ask us to remove ourselves from power, while others will do it in a less respectful form. The consequences must be clear.

The important thing now is how to get the country out of this mud, and how to begin this. There is only one answer—Zhan Videnov must be removed from leading the party and the country.

Bulgaria: Yonchev Explains Call for Videnov To Resign

AU2307111496 Sofia KONTINENT in Bulgarian 23 Jul 96 p 7

[Interview with Dimitur Yonchev, member of the Alliance for Social Democracy in the Bulgarian Socialist Party, by Genka Markova; place and date not given: "Strategy for BSP's Survival Has Failed"]

[FBIS Translated Text] [Markova] Mr. Yonchev, the meeting of the OSD [Alliance for Social Democracy] on 21 July produced the idea that Videnov should be relieved of leadership of the party and the state.

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[Yonchev] It would be annoying for the OSD if its message were reduced to its first point, namely that we would overthrow Videnov. This point is connected to a change of line since 1990. The processes that started then within the Bulgarian Socialist Party [BSP] should continue. They were suspended at the 39th BSP Congress, and from then on everything has been merely camouflage. The BSP is now a network that provides the government, but the government rules in ways and according to values that the BSP does not share.

It remains an enigma what the structural reform is, when it started, and what results it will produce. For this reason, to say "Zhan Videnov is the problem, we will replace him, and then everything will be solved" is so stupid that it is better to say nothing about it.

If, by sending these signals, we manage to convince the government, Zhan Videnov, and the party leadership that the macroframework of the government must be discussed, then we will be successful. There is a slight hope that the government will make radical corrections to its policies and strategy, but for me this would be almost a wonder.

[Markova] Is it possible not to replace the cabinet team, but for it to change its policies?

[Yonchev] It must change its philosophy, the macroframework of its policies. I am sure that quite a few members of the cabinet will be able to do this, provided there is a clear strategy.

[Markova] Will the OSD overthrow the government or not?

[Yonchev] The OSD cannot do this. People in government circles are saying: "What are you up to? You have a handful of votes in parliament, how will you topple the cabinet?" We are not the people to overthrow the government, because we lack the political tools. Our tasks lie primarily in the sphere of messages and adjustment.

[Markova] What has been the reaction to your messages?

[Yonchev] People have not taken the trouble to understand us correctly. Our main message is that the macroframework and philosophy of the policies are not adequate. If we want to win the presidential elections, if we want to restore hope to the voters, we have to review our policies.

[Markova] The OSD's demands coincide with those made by Lilov.

[Yonchev] We have many points of similarity. Apart from this, we might reach an understanding concerning the changes required. Regarding the administration's macroframework, I do not think we will find a common language. We are not inclined to make compromises, because the state that the party is in is due to evading this problem. However, Lilov has largely constructed the strategy for the BSP's survival on avoiding answers to these questions.

[Markova] Has this strategy failed?

[Yonchev] Yes. There now is a great risk of the BSP not surviving, because, in coarse ideological terms, the strategy assumed that capitalism would make the party a capitalist formation. The BSP was to remain the people's left-wing hope and come to power in an organized market world. Nothing of this has happened, because the great question of controlling those whom you place in power was neglected.

[Markova] Who will assume the responsibility for this?

[Yonchev] It will not be the individuals who got us into the present state. The responsibility will be assumed by the BSP as a whole.

Bulgaria: SDS Daily Analyzes OSD's Strategy

AU2307115596 Sofia DEMOKRATSIYA in Bulgarian 23 Jul 96 p 10

[Commentary by Reni Neshkova: "OSD To Save Pirinski From Himself"]

[FBIS Translated Text] The Alliance for Social Democracy [OSD] group in the Bulgarian Socialist Party [BSP] has decided to absolve Pirinski of responsibility for the government's performance. It wants to present him to the voters as something completely different from Videnov and, at the same time, a figure with a profound party character. This gesture of the OSD's reflects the complete impotence of the BSP, which arrogantly decided that it could hide itself behind groups of parasites and present this as governing, and what is more—governing on the basis of social positions. The paradox in the OSD's game is the fact that Pirinski and his designated vice president are in fact members of Videnov's cabinet. So far neither the presidential candidate nor anyone else in the OSD has declared a position that differs from the prime minister's. On the contrary—perhaps as a result of fear of provoking infighting in the party, each time a vote of no-confidence was proposed, it was precisely Lukanov's and Kyuranov's people who most passionately supported the vote of confidence in the cabinet.

It is hardly a coincidence that only a few days after the Socialist International supported the candidacy of the opposition's presidential candidate, Petur Stoyanov, it was reported that Videnov's resignation had been requested. The OSD members pressed most strongly to have the BSP admitted to the Socialist International in

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order to legitimize the party in Europe and obliterate its communist past. The isolation in which the Socialist International placed the BSP is the severest blow to our Socialists' image.

Our road to international recognition was blocked both in the East and West. The West was influenced in particular by Yeltsin's election clip in which Videnov was described as communist Zyuganov's ideological brother.

The situation will become especially interesting if it turns out that the OSD is sincere in its intentions to remove Videnov. In this way, the entire cabinet, including Pirinski and Marazov, would be compromised. The result would be a BSP presidential duo that has been removed from power in order to grant it a higher ranking. Thus the Western Social Democrats would really not be able to orient themselves among the strange moves of the BSP, which is frantically trying to save itself.

Bulgaria: DPS Official on Possible Protests in Rhodopes

AU2307101596 Sofia TRUD in Bulgarian 23 Jul 96 p 2

[Article by Aneliya Basheva: "Revolts in Rhodopes May Lead to State of Emergency"]

[FBIS Translated Text] "The idea of antigovernment revolts in the Rhodopes is an insinuation aimed at leading to a state of emergency," Osman Oktay, organizational secretary of the Movement for Rights and Freedoms [DPS], told TRUD yesterday.

He declared that if the united opposition leads the developing protests, it will put an ace in the hands of the BSP [Bulgarian Socialist Party]. According to Oktay, this would be particularly dangerous at a moment when the OSD [Alliance for Social Democracy] is seeking Videnov's resignation. Oktay believes that Kurdzhali was deliberately used for the provocation, because the situation in the mountain and hill regions is especially tragic. "It is said that Branko Davidov's men will suppress any attempted revolts in the Rhodopes. This further convinces me that someone has an interest in this provocation," Oktay declared. "Rural revolts in the southeastern Rhodopes will break out in September, when the cost of living will double," Yudjel Atilla, spokesman of the DPS Parliamentary Group, further predicted.

"The idea of a state of emergency has been floated by the president," Gincho Pavlov, National Assembly deputy of the Democratic Left Parliamentary Group, stated in Dobrich.

The DPS Central Executive Bureau will decide at its meeting today whether to permit organized protests and what form they should take. The DPS leaders will also discuss which privatization funds should be recommended to DPS members and sympathizers. The fund receiving most consideration at the moment is the "Nikotiana" Fund, because a large proportion of DPS voters are mainly engaged in tobacco production.

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Czech Republic: Government Issues Draft Policy Statement

AU1907082096 Prague DENNI TELEGRAF in Czech 13 Jul 96 pp 5-6

["Draft Policy Statement" issued by the Government of the Czech Republic on 10 July]

[FBIS Translated Text]

Preamble

Four years ago, the previous Government of the Czech Republic appeared before this legislative body and the public with its policy statement at a time when our country stood at a crossroads in its modern history. At the time, it was a decision on the continuation of the profound changes in our society and economy, which was only starting to recover after 40 years of the totalitarian regime, as well as on the solution to Czech-Slovak relations and preparations for the establishment of an independent Czech state.

From that vantage point, the past period was absolutely extraordinary, and we are convinced that, even when viewed from the perspective afforded by time, it was a successful one. Within that period, we succeeded in constituting the Czech Republic as a stable, democratic country that is considered a good example of political, economic, and social transformation. We have established almost normal relations with the Slovak Republic, and we intend to continue developing those relations. The Czech Republic became a member of the OECD, and belongs to the leading candidates for EU and NATO memberships. Our economy is developing successfully, there is a high degree of social stability in the country, and the environment is being visibly improved.

Therefore, the second government of the independent Czech Republic considers itself committed to continuing the policy of rapid social and economic transformation and believes this is also the wish of the decisive majority of the country's citizens. This government wants to concentrate on the completion of the transformation and on dealing particularly with the matters that most trouble our fellow citizens. The government will base its policy on the fundamental interests of the Czech Republic, which include the enhancement of democracy and the rule of law, the building of a modern market economy, and the continuation of our country's integration into the European and global structures and institutions. The present government policy statement is based on these basic priorities, and the government will use them as the point of departure in its everyday work.

The government intends to implement its policy in the interest of the citizens of this country, and to achieve its success, the government is ready for active and serious cooperation with all significant political forces in our country that follow the same general interest.

The government wishes to begin its work quickly, based on the indubitable fact that our country needs a stable government for domestic reasons as well as for reasons of international confidence and the need to work continually on our integration into the European Union and NATO.

The government policy statement is not and cannot be a complete list of all problems the government faces in all sectors. Its purpose is to show the main directions and objectives of future government work and its general concept of work.

I. Rule of Law, Legislation, and Public Administration

The government wants to create a state that would work to guarantee the personal freedom of citizens and their civic rights; to safeguard the fundamental institutions of a prosperous market economy, complemented by an appropriate measure of social responsibility and solidarity; and to protect the values that we jointly consider important and irreplaceable for the life of our country, the values that comprise our national heritage, the values that are important for the life of the generations to come.

The government will emphasize in its work the observance of the Constitutional order, will consistently defend the fundamental principles of the Constitution, and will advocate the institution and work of all the Constitutional institutions. It will ensure the strength of the state in areas where its role cannot be substituted and, conversely, see that the state does not interfere in the citizens' free decisionmaking.

The government will improve the legal order by carefully preparaing new legal regulations and abrogating antiquated and unsatisfactory legal norms.

The government will intensify its work on the basic code of private law with the objective of expanding opportunities for the exercise of contractual freedom, and it will consistently advocate the removal of all remaining unjustified restrictions to ownership rights.

In the sphere of public law, it will particularly advocate greater criminal-legal protection of citizens, an expansion of alternative punishments, and the reinforcement of the status of the damaged party in criminal proceedings. In doing so, it will consider the possibility of the involvement of citizens in the process of filing criminal legal complaints.

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In the sphere of public administration, the government considers the rationalization of the public administration its priority. This rationalization is based on the appropriate measure of decentralization of decisionmaking, respecting natural regional links within this state, and on a marked restriction of bureaucracy in offices of every kind.

To realize this objective, the government will draft and prepare the establishment of regional self-governing bodies, both on the legislative and the practical levels. At the same time, it will study the powers of public administration on all levels and in all institutions with the objective of creating sufficient scope for the free activity of citizens and for the efficient operation of communities and self-governing territorial units.

The government also intends to pay greater attention to the public-administration apparatus with the aim of improving its professionalism and reviving its prestige. For this purpose it will draft a government service bill that will define the status of government employees and their duties and rights, emphasizing their independence from any kind of political influence.

The government will advocate and further develop the atmosphere of religious and civic tolerance, mutual respect, and cooperation. It appreciates the role that churches and religious communities play in our society and will support their activities. It is also prepared to deal with the issue of amending property-related wrongs that churches suffered in the past. In this context, it is ready to conclude the principle of separation of church and state in the economic sphere as well.

Government policy will protect the fundamental principles of a democratic society, which include in particular the rule of law, freedom of the individual, the family as the basis of society, and equal rights and obligations for everyone, regardless of sex, nationality, race, or political or religious beliefs. It will just as earnestly defend free enterprise and the right of citizens to own property, and it will reinforce the security of citizens in these areas.

It will defend the independence of court decisions and, at the same time, do its best to ensure that citizens enjoy fast and efficient protection of their rights.

II. Foreign Policy

In its foreign policy, the government will consistently base its efforts on advocating Czech national interests. The basic orientation and goals of Czech foreign policy remain unchanged, therefore the government will follow up on the foreign political results of its predecessor. The government considers the fastest possible acquirement of the Czech Republic's full membership in the European Union (EU) and NATO to be its main priorities, considering the fulfillment of these goals to be the completion of our country's transformation from the foreign-political point of view. We are taking as a point of departure the conviction that the Czech Republic belongs to the euro-atlantic civilization space, historically, politically, culturally, and economically, and that it is connected with this space by the common values that we want not only to share but to develop, protect, and defend.

The government understands the EU membership as a logical conclusion of the endeavors of the Czech Republic to integrate fully into the family of European democracies. With reference to the memorandum enclosed with the EU membership application and fully dedicated to the principles of European integration, the government intends to intensify and accelerate preparations for our future membership to enable the Czech Republic to begin membership negotiations as early as 1998. It will therefore maintain policies that will bring the Czech Republic to the level of equal partner of Union member-states. The government wants to make it clear that it is ready to accept such a form of European integration as would exist at the time of admission of the Czech Republic.

An important and realistic means of attaining security in the Czech Republic is to obtain full membership in the North Atlantic Alliance, including its integrated military structures. The government believes it is realistic to expect the Czech Republic's entry into NATO before the end of the century. Guided not only by this goal but also by the awareness of coresponsibility for the fate of the European democratic civilization, the government will continue its efforts at convergence with NATO member-countries in both the political and military spheres. It will buttress the successfully initiated bilateral dialogue between the Czech Republic and the Alliance and continue cooperating with NATO within the framework of Partnership for Peace and on the preparation of joint actions aimed at preventing conflicts and maintaining peace in Europe and around the world.

The government is aware that integration touches upon the most personal interests of the citizens of this country. It will therefore use suitable forms to inform the public about the extent and condition of future rights and obligations of members of these organizations.

The government considers its priority also the maintenance and further development of good partner relations, particularly with our neighbors, and with all democratic states and nations. It subscribes to the conviction concerning the coresponsibility of the Czech Republic for

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stability in Central Europe. It will attach great significance to mutually advantageous cooperation within the framework of CEFTA [Central European Free Trade Association]. In relations with Germany, it will continue its endeavors to have these relations oriented toward the future and not burdened by the legal and political questions of the past. In doing so, the government's point of departure is the incontestability of the results of World War II.

The government will continue to advocate the idea of free trade, which it considers an important prerequisite for the sale of our goods on world markets. It will also continue to promote the economic interests of the Czech Republic in the world by means of standard tools used in comparable countries with an advanced market economy.

The Czech Republic will continue in its active involvement in the international organizations (UN, OECD, OSCE, Council of Europe). These organizations make it possible for us to participate in solving problems of global significance and, at the sane time, effectively push for Czech interest on the international field. The government, aware of our country belonging to the group of developed countries, will appropriately participate in development and humanitarian assistance to the selected countries.

Last but not least, the government will continue developing cooperation with Czechs living abroad and contribute to the good reputation of the Czech Republic and its culture in Europe and in the world.

III. Domestic Security

The government endorses the importance of the issues related to the protection of the rights of citizens, their freedoms, life, health, and property and does not intend to be complacent about the results achieved in the sphere of domestic order and security. Therefore, it will continue to evaluate the security situation, determine the most significant security risks, and focus on their elimination.

The government will present new principles of penal policy. It will propose in the penal code a stricter punishment for repeat offenders, guarantee the protection of society against new forms of criminal activities, and reassess the penal system to see that sentences better reflect the danger and seriousness of the crime. Changes to the penal code will be proposed at the same time to facilitate an acceleration of criminal actions.

The government will table a draft of new legal regulations for administrative proceedings and administrative punishments that will result in more consistent punishment for transgressions and other administrative offenses.

The government will focus on crime prevention. Priority will be given to large cities and threatened groups of children and youth. The government will endeavor to increase the citizens's confidence in the Czech Police by, above all, emphasizing proper conduct by policemen in contact with citizens, professionalism, consistence and speed in fulfilling police tasks.

The government will take care that the feeling of security on the part of the citizens be increased, and therefore it will advocate that the repressive units consistently deal with general crime, violation of public order, and property-related and violent crimes.

The government will regularly assess and actualize the approved strategy for dealing with organized crime. At the same time, it is ready to adopt harsher and more effective measures against illegal production, trafficking, and abuse of drugs. The amendment to legal regulations of criminal proceeding will be oriented, above all, towards the completion of the institutions serving to detect organized crime and create the space necessary to obtain evidence and speed up the entire process of criminal action.

The government will continue its rapprochement of the work of the custom officials with the work of the custom officials in the countries of the EU so as to create favorable conditions to effectively detect trade fraud; illegal transport of drugs, precursors chemicals, radioactive material, and arms; illegal export of cultural monuments; illegal dealing in endangered flora and fauna; and protection of intellectual property rights.

The government will create conditions to effectively halt the legitimization of profits from criminal activities. It will propose more efficient tools for the struggle against corruption, tax evasion, and serious economic crime connected with the misuse of state funds.

The government is ready to propose measures to curb certain negative phenomena linked primarily to foreigners' illegal migration onto Czech territory. It will submit a new legislative arrangement of the conditions for foreigners' residence, businesses operation, and employment and for granting asylum. It will also draft a new visa policy with regard to the one practiced by EU countries. The government will push for adoption of the constitutional law on the Czech-Slovak border and on a contractual solution to problems faced by the Czech-Slovak border regions.

The government will continue to expand international cooperation and will limit the risks that could have a destabilizing effect on the security of the citizens of

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the Czech Republic. It is ready to prepare a system for protection of classified facts that would be compatible with security standards in the advanced West European countries.

IV. Defense

The government considers the guarantee of the external security of state to be one of its fundamental priorities, and that includes the designation of appropriate funds for defense. The government is aware that the basis of defense is its credibility and, above all, the clearly expressed will to defend oneself. Therefore, defense is a matter for the army as well as for society as a whole and every citizen within this society. The government will therefore pay special attention to the approval of an appropriate strategic, conceptual, and legislative framework necessary for further development of our defense system. The principal strategic orientation in building this system is full integration into the North Atlantic Alliance and cooperation with the West European Union.

The government considers it necessary to exert maximum efforts to achieve the most effective arrangement of the Armed Forces. It is ready to dedicate itself to the completion of the systemic transformation of the Czech Army and its technical modernization. A significant aspect of this intention is making the Czech Army compatible with the NATO armies. It wants to build an army that emphasizes organizational, personnel, and technical quality as well as to reduce costs which do not contribute to the priority goals and eliminating presumed risks. Despite its progressing professionalization, the Czech Army will continue to be based on conscription. The Army must be modern, operational, economical, and prepared to defend the sovereignty of the Czech Republic as well as assume its share of international obligations in military operations outside our state.

The government considers it necessary to pay appropriate attention to the living conditions of soldiers and to the improvement of the reputation of their work and social status.

V. Economic Policy

The Main Principles of Economic Policy

The Government of the Czech Republic considers a prosperous, stable economy to be a prerequisite for the country to thrive and to raise the standard of living of its citizens. The path to this objective is a market economy based on free enterprise, solid foundations of private ownership, and individual responsibility. The government is aware that a solid, trustworthy currency is a precondition for successful economic development. Therefore it will support such monetary policies of the Czech National Bank that contribute to a gradual reduction of inflation so that it will reach a level comparable to that of EU member states at the beginning of the next decade. From the point of view of further reinforcing the currency, the government considers the trend toward a long-term balanced budget to be of great importance, emphasizing the balanced current account of the balance of payments. The pace of the future liberalization of the capital flow will be subordinated to this goal.

The fundamental priority of the government's economic policy will be to maintain the high rate of economic growth while keeping unemployment low, with the objective of a gradual rapprochement of the Czech economic and living standards with those of advanced Europe. Therefore, the government is determined to continue the transformation of the economy, above all by privatizating properties where there is no reason to maintain partial state ownership, deregulating and improving markets, completing price liberalizations, and gradually correcting regulated prices.

1. Financial, Tax, and Price Policies

Another key objective of the government economic policy will be the continuation of the policy of healthy state finances, which is represented by a balanced state budget.

The government is prepared to continue reducing taxes (including the capital gains tax) and the overall levy burden with the objective of reducing the share of public budget spending in the GDP by approximately 1 percentage point annually.

The tax reduction will focus particularly on the income tax. The government will advocate reducing tax rates as well as the taxable base, primarily by reducing the time for writing off machinery, equipment, buildings, and facilities and expediting the writing off of bad debts. The tax legislation will also undergo more changes in the process of convergence to EU standards, particularly in the sphere of indirect taxation.

In the sphere of tax administration, the government will continue in the struggle against tax evasion by means of appropriate legislation and increased efficiency in tax collection. In this respect, it will promote an improvement in the professional and ethical standards of the staff providing the tax service. Regardless of the date of the admission of the Czech Republic into the EU, contracts will be negotiated that will facilitate more efficient cooperation with foreign tax and custom offices with the objective of curbing tax and custom evasion.

The government expects a gradual perfection of the mechanisms working in the framework of the prepa-

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ration of a draft state budget, and with a greater clarity of data on public budgets submitted to the parliament. The government will table a new bill on budget rules and a bill on state property that will facilitate the introduction of a more effective approach to financing the public sector, transparent funding of the territorial self-administration, and a more economic management of state property. At the same time, both internal and the external control over the spending of public funds will be perfected, including the implementation of methods enabling the appropriate controls on the level required in the EU member-countries.

The government will continue with the gradual liberalization of prices and housing rents. A part of this will be the completion of the correction of maximum prices for power (electricity, gas, heat) and the creation of a regulatory system facilitating the projection into these prices of the economically justified cost of production, transfer, and distribution.

2. Privatization

The government believes continuing the privatization process is a necessary condition for completing the transformation of the economy. The government will see that all privatization projects approved so far are carried out quickly, and it will draft and adopt a strategy for the next stage of privatization involving the banking sector, some strategic industrial enterprises, and other enterprises, particularly in the power-generating sphere. The reduction of the state participation in the ownership of the major Czech banks will be conducted so as to make certain that the character of the new private owners guarantees an increase in the ability of the domestic banking sector to compete and reinforce its stability.

3. Relations to the Business Sphere

The government will pay particular attention to the improvement of systemic conditions stimulating enterprise and economic development. For this purpose, it prepared a revision of the economic and business legislation. The government considers the maintenance and development of competition of utmost importance. It will therefore work to create impediments to monopolies and cartel tendencies and agreements. The government will also further develop the effective execution of ownership rights in state enterprises and in organizations in which the state holds a major stake.

The government is well aware of the importance of developing financial and capital markets both for the changes in ownership structure following privatization and for financing future economic growth. Therefore it wants to implement such revisions to the legislative framework of these markets as would contribute to their further liberalization while reinforcing their clarity, efficiency, and security.

The government is aware of the decisive role of industry in the state and in the development of the economy of the Czech Republic. Therefore it will work to create and guarantee conditions which facilitate its continued growth and an improvement in its competitiveness on domestic and foreign markets. It is particularly a matter of creating institutional conditions for enterprise in industry and developing small and mid-sized businesses, human capital, support for research, and the necessary infrastructure.

At the same time, conditions will be created for more a flexible solution to justified claims of firms in the position of a creditor.

In the sphere of power generation, the government will support the trend toward reducing the demand for power and a utilizing power resources more efficiently. It will contribute toward the creation of a competitive environment with the maximum deregulation of power price.

In the interest of support for exports, the government objective will be to create favorable trade-political conditions on both multilateral and bilateral bases, to expand the services and financial resources of the EGAP [Export and Guarantee Insurance Co.] and the CEB [Czech Export Bank], as well as to enhance the support for Czech exports on the part of the Czech missions abroad. The government will promote antidumping, "antisubsidy" and other legislation so as to contribute to an improvement of the protection of the domestic market in accordance with the Czech Republic's international commitments.

4. Housing

The government is aware of the numerous problems in the housing sector, and in particular of the low affordability of housing, insufficient purchasing-power-backed demand on the housing market, negligence and insufficient maintenance of the housing fund, and disproportion between the prices of housing and the amount of regulated rent. The government is determined to pay continuing attention to the issue of housing and housing construction. Therefore, it considers it necessary to increase the amount of funds from public budgets for this sphere already when drafting the 1997 state budget, improve the effectiveness of the hitherto state measures aimed at the support for housing, and introduce some new measures as yet not applied.

The government is convinced that the basis for a stable solution to the housing problem in the country is the

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creation of a functioning housing market. An important prerequisite is a gradual deregulation of rents, the acceleration of which depends on the establishment of suitable social measures dealing with the detrimental impact of this step on the socially weaker strata of the population.

The government intends to link the housing policy to the needs of the development of regions, cities, and communities. An inseparable component of this policy will be the support for communal activities in the construction of rental units, and measures facilitating the purchase of lots for new housing construction. The main objective of this support for the communities will be to increase affordability of housing. The government will also support through subsidies the construction of the infrastructure. The support for natural persons will focus on the increased accessibility of mortgage credits and guarantees of premortgage bridging credits. A new tool of the housing policy will be the Support and Guarantee Housing Fund with the main purpose of improving the conditions for enterprising in housing construction.

5. Transport and Communications

In the transport sector, the government considers it important to have internationally comparable standards on the main transport routes passing through the state. It will support their development by extensive state investment, which will also have a marked effect on the growth of domestic industry and construction. It will also pay increased attention to the maintenance of existing transport routes. The government places great importance of rationalizing the management of Czech Railroads and gradual transforming it into a modern, efficient company. In this sense, the government is prepared to support the implementation of the specific prepared programs.

Another priority that significantly affects the population's quality of life, primarily in the countryside, is improving transportation service coverage, especially in outlying regions, with the objective of facilitating transportation to work, school, health care facilities, and offices. For this purpose, the government is ready to increase the subsidy funds from public budgets and adopt measures for a clearer division of powers between the bodies of state administration and self-administration.

In the telecommunication sphere, the government will continue its policy of fostering a competitive environment, which will lead to significant improvements in the entire network. It will adopt such regulatory measures as will lead to simplified access for enterprises in this sphere.

6. Agriculture

The government's first priority in the agricultural sphere is to guarantee the fundamental supply of food from domestic production. The development of this sector of the national economy is to a great degree connected with the need to preserve the natural foundations of country life, with the need to create jobs in the countryside, and with endeavors to preserve the traditional appearance of the landscape in the Czech Republic.

It will focus its agricultural policy on supporting the competitiveness of Czech agriculture. Therefore, the government will continue to support investment and modernization programs in agriculture and forestry through the PGRLF [Support and Guarantee Farming and Forestry Fund]. It will also support (through subsidies or taxes) the utilization of farm land for purposes other than food production, including for the production of technical plants and renewable power resources.

The government will endeavor to achieve the maximum possible stabilization of the regulation providing support for entrepreneurs in agriculture so farmers can use it as a basis for their business decisionmaking.

The government will continue (mostly by means of direct subsidies) to support agricultural activities in regions with comparatively worse conditions and will stimulate the observation of environmentally sound agricultural methods. It will establish rules of reimbursement for increased costs in the agricultural and forestry enterprises created by legal limitations on economic activity for reasons of environmental protection.

The government will endeavor to achieve the maximum possible stability of the food market and the liberalization of trade with farm products. Within the framework of international agreements and commitments, it will create conditions for foreign trade in agricultural and food products that will be comparable to other states, protect Czech agriculture against subsidized imports, and create greater opportunities to support exports of Czech traditional agricultural commodities.

In the interest of stabilization of ownership relations in agriculture, the government is prepared to complete the restitution and transformation processes. It will draft measures to enable businessmen in agriculture and forestry to settle the restitution and transformational commitments. It will regulate conditions for the sale of state land in the form of a special law. In forestry, the government will focus on the sale of land to integrate the fragmented ownership structures.

VI. Social Policy

The government considers an efficient social policy to be one of the main conditions for the steady, successful

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development of society. It builds on the conviction that the citizen himself is, above all, responsible for his social status. It sees the primary social space in which the existential background of all individuals is formed as being the family and the community. The role of the state lies therefore in creating the necessary legislative, organizational, and material conditions to guarantee the basic social security of citizens when the natural social mechanisms either fail or are insufficient.

Through its economic policy, which is oriented toward support for economic growth and free enterprise, the government will help maintain the low level of unemployment. For this purpose, it will continue implementing an active employment policy aimed, above all, at the groups of citizens with impaired status on the job market. The government will also implement a differentiated approach to individual regions with respect to their specific conditions and problems.

The government intends to continue reforming the social security system, which it considers a responsible step in the interest of long-term social stability in the country. In the upcoming period, it will focus on the perfecting this system while maintaining its principles. It will work on fine-tuning the system of state social support and on simplifying the administration required to authorize and distribute the allowance without abandoning the principle of specific targets.

The government will see to the preservation of the real value of pensions and their increase in line with the country's economic growth. With this objective in mind, it will regularly index pensions and also consider the development of wages so that in the long run the present ratio between pensions and wages in maintained. The government will also prepare for the separation of the pension insurance system from the state budget and for its transformation into a new fund system while guaranteeing its long-term financability without additional contributions from public sources.

The government will tighten control over the distribution of all kinds of social allowances and enhance the role of communities in deciding on social assistance.

In the sphere of social services, the government will continue to supporting activities under clearly defined conditions of nonstate humanitarian and church organizations. In so doing it will not only expand the existing supply but support the establishment of a reasonable competitive environment.

VII. Health Care

The government considers it a basic priority to continue the reform of the health care system with the objective of ensuring its long-term stability. Nevertheless, the fundamental systemic changes, above all in the sphere of financing health care, will not mean the abandonment of the basic guarantees and securities in providing health care to citizens.

The government is ready to implement complex measures both on the side of supply of health care and on the side of demand for health services.

On the supply side, it will be a matter of introducing more effective regulatory and control mechanisms. The government will increase its pressure through rational allocation of state subsidies, particularly on construction and equipment investments in health care. To increase the efficiency of the control, it will make the list of health care services and medications more precise and simple, and that in connection with the gradually published standards of health care and recommended therapeutic methods. To guarantee the quality of health care, the accreditation of health care facilities will be gradually introduced, which will define their expert qualifications for performing demanding medical work.

The government will propose a modern system of postgraduate studies and continuous education of health care staff and will continue in the effective support of medical research.

The government will demand responsible conduct on the part of health insurance companies managing public funds in the interest of citizens and health care facilities, expects a further reduction of their number, and will reinforce state control over their management, including demanding greater efficiency in their auditing systems. It will create conditions for the introduction of an integral health care and disability insurance.

The government will outline a new structure of health facilities ownership and define state guarantees for the availability of standard health care. This will enable it to privatize the health sector quickly and easily. In the interest of improving the availability of bed service for long-term patients and the effectiveness of the operation of inpatient health care facilities, the government will support the changeover of a part of the bed fund for acute patients to beds needed for chronic patients, mostly those in the facilities for long-term illnesses and those in social care institutions.

The government intends to intensify support for and the protection of publich health, including the struggle against society-wide health problems like drug addiction and AIDS. It will also focus on efficient prevention, programs to improve public health, and the responsibility of citizens for their own health.

On the demand side, the government will deliberately strengthen the patient's role in making the decisions and

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will create a system which motivates people to seek health care in an economical and rational way.

The objective of all these government steps is to create financial stability in the health care system and to guarantee the availability of quality care for citizens as well as a dignified status for physicians and health care providers.

VIII. Education and Science

The government considers education one of the fundamental prerequisites for a free and full life for citizens and for the economic and cultural development of the entire society.

Education, particularly in its compulsory part, is to a great degree a public good, and therefore a sphere for which the state bears direct responsibility. The government is aware of this responsibility and will therefore endeavor to improve the quality of our education. It will perfect the tools for assessing the quality of schools and instruction. These tools will include particularly the definition of educational and evaluation standards for elementary and high schools, clear principles for financing schools, and the establishment of a system facilitating regular assessments of the entire educational structure.

The government will maintain free instruction in elementary and high schools established by the state or communities. At the same time, it considers the existence of a significant sector of nonstate education necessary, including parochial schools. This sector, after it meets requirements for the conditions and standards of instruction, will also be supported by the state. These schools complement the offerings and diversity of education, but they can never replace public education.

Vocational schools play a significant role in the educational system. The government considers it important to create conditions conducive to training a quality labor force. It will ensure that the system of journeyman training is maintained, and it will endeavor to emphasize the role of enterprises in this activity. The state will continue to be responsible for the network of vocational training and for setting basic requirements on instruction and evaluation.

The government will ensure that the country's educational system remains integral and that the content of instruction is oriented not only toward practical skills but to civic education and the cultivation of an awareness of the history of one's own country. The government will also ensure that it helps children and young people recognize basic values.

One of the government's priorities in education will be to develop the university education. The government will focus its attention on improving the quality of the educational and scientific activities of universities. University education will continue to have a selective character. Within the framework of the expansion of the general possibilities of higher education, the government will also support the development of colleges and institutes for high school graduates.

The government considers it expedient for students to help pay the costs of higher education, particularly at institutes, colleges, and universities, to demonstrate their responsibility for their studies. When all other requirements are satisfied, however, it must be guaranteed that the social situation of the student does not pose a fundamental hindrance to his or her studies.

The government will endeavor to improve the material situation of teachers while differentiating on the basis of the quality of their work.

The government considers research and development an important prerequisite for the future development of our country. It will continue to follow the principles of the science policy of May 1994 and endeavor to bring about a more profound connection between science and business, to reinforce the status of science at universities, and to support other quality research institutions.

The government will continue woring to develop sports and physical education, which comprise an important component of life in our society.

IX. Culture

It will remain a permanent objective of government policy to preserve and develop cultural riches. The government builds here on respect for freedom of artistic creativity as a condition for a truly valuable and rich cultural life in society. The government therefore intends to continue its financial support for culture and will create conditions for effective plurality of resources flowing into this sphere. It will continue to support cultural exchanges abroad and will create conditions for integrating our culture into European and world cultural events. It will also support the preservation of the cultural identity of Czechs abroad.

The process of denationalization [odstapneni] of culture, as launched in the previous election term, will continue, particularly after the establishment of regional self-administration. The state will go on supporting its network of public libraries, museums and galleries, which are an important part of the system of cultural guidance and cultural environment, and it wants to strengthen the role of communities and regions in this sphere, too. The government wants to redefine the status of the most significant national cultural institutions.

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The government is aware of the great wealth of both chattel and real property of the cultural monuments on Czech territory, and it wants to further expand the programs oriented toward saving and protecting this heritage. It will table the solution to legal protection of the cultural heritage with the objective of compensating for expenditures incurred by owners by observing the limitations defined in the law.

The government will continue to create a suitable legal framework for facilitating free access to information and plurality of mass media, and it will pay closer attention to the protection of intellectual property.

The government considers the cultural identity of ethnic minorities an important part of the cultural heritage of our country and intends to continue to support their activities.

X. Environment

The government will base its environmental policy on the program "State Environmental Policy" approved in the past election term. Using as a point of departure the fundamental principle of responsibility to future generations for the preservation and transfer of the basic values of life, the government will concentrate its efforts on consistently putting all elements of this policy into practice. Despite the clearly favorable developments of the past few years, many consequences of the environmental devastation of past decades lingers on. The government will therefore emphasize not only a further improvement in the quality of the atmosphere and water and a reduction of waste generation, but also an acceleration of the pace of elimination of the old environmental burdens that can pose risks to human health.

The government will continue to complement the existing system of environmental protection and its optimization. It considers developing a suitable definition of natural resource ownership an important step in finding an effective solution to the conflicts arising between mining raw materials and protecting the environment. This definition will be the basis for the formulation of a new mining law. The government will reassess the work of the central bodies of state administration in water management and will propose its rational modification within the framework of the new water-management law. In the interest of caring for the land and preserving the natural heritage, rational criteria will be formulated for the protection of nature and the landscape.

The government will support the broadest possible and most efficient utilization of the existing economic tools for protecting the environment. The government will continue to support investments for the protection of the environment and it will support publicly beneficial activities of nonstate entities.

The government is aware of the importance of using power and natural resources economically and will therefore endeavor to correct regulated prices and remove the undesirable subsidies.

The government is well aware that there are no quick, cheap, or simple solutions to immediately remove all the environmental damage done over the past decades. The government is convinced that effective environmental protection can be in harmony with economic growth and that market economy is precisely the mechanism to facilitate the harmonization of individual interests with the public interest. Success is conditional on free and responsible decisionmaking by citizens and the entrepreneurial sphere and their participation in the protection and creation of the environment. Ecological education and the broadest possible access to information on the state of the environment will therefore be subject to a marked state support.

Conclusion

Our society faces several demanding tasks in the upcoming period. The government is determined to continue working toward solutions launched in 1989 and to build on everything positive that was achieved in the past term. Therefore, it considers it its commitment to keep the Czech Republic among successful and prosperous European countries and to make it a full-fledged member of integrated Europe in the foreseeable future. As part of this effort, it will resolutely promote and defend principles of democracy, human rights, and civic freedoms, see to the observance of the Constitution and laws, support pluralism, competition, and freedom of choice for everyone.

The government is aware that it will only be able to achieve the objectives formulated in its statement with the support of the public and with the support of you, the members of the legislative assembly. In the implementation of its policy, the government will be subject to strict public control. It is open to this control, and ready to bear the responsibility. It will endeavor to create the broadest possible social consensus among all democratic political forces in the legislative assembly and in society.

The Government of the Czech Republic appears before you, the elected representatives of the people, with this policy statement. It stands ready to deal responsibly and honestly with the complex tasks facing our country in this period, in the interest of all citizens of this country. The government trusts, esteemed deputies, that it will

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pass the vote of confidence, and thus be able to begin its work.

Czech Republic: Agriculture Minister on Draft Policy Statement

AU1907135896 Prague HOSPODARSKE NOVINY in Czech 16 Jul 96 pp 1, 4

[Interview with Czech Agriculture Minister Josef Lux by Jana Francikova; place and date not given: "Agriculture Will No Longer Be a Cushion for the Reforms, Minister Josef Lux Says"]

[FBIS Translated Text] The draft policy statement of the new government indicates that agriculture will apparently enjoy a greater interest on the part of the state than it has so far. The actual extent of its involvement on the agricultural market, however, is still to be determined. We have been discussing with Agriculture Minister Josef Lux what the government is facing in this respect.

[Francikova] What do you see from the vantage point of the government as the principal issue in agricultural policy over the next four years?

[Lux] There is a fundamental discussion ahead of us, based on the commitment of the cabinet in the policy statement to achieve greater stability on the food market. That will be one of the key points of agricultural policy in the future. I held numerous talks with various politicians on the price of bread before the elections and I would like this discussion to come to a head.

[Francikova] So, in your opinion, how should the market stabilize?

[Lux] There are two ways. One is to accept world prices of agricultural goods. Namely, the market around us is characterized by a high degree of regulation and that would also affect the stable prices here. Of course, this would mean higher food prices. Bread could cost as much as 40 korunas. This would require the political courage to bear it. One could say no to the world prices. This, then, would mean that the farmers, who buy at world prices but cannot sell at world prices, must be subsidized by the state.

[Francikova] How should the state be involved on the agricultural market?

[Lux] This discussion will have to be conducted by the government and parliament. I believe that two possibilities exist for state participation. The first is to control supply, which actually is the production quota system of the EU. The other possibility is minor intervention, which we have used before, but with a certain intensification. I claim that this method is more expedient. This would mean providing access to capital in the intensive regions, continued subsidies for the foothill regions or programs for the nonfood utilization of land.

[Francikova] You keep talking about state participation. Where is the limit?

[Lux] The degree of state participation lies somewhere on the border of profitability for the farm work—not for all farmers but for farmers in general.

[Francikova] Nevertheless, agriculture already showed a profit last year. Does it mean that state participation must be greater?

[Lux] In this government policy statement, it means yes, it should be greater. The basic transformation measures have been implemented over six years. It is time to realize that the time is over when agriculture was the cushion for the entire economic transformation. If we do not wish to reach the world prices in jumps, the state must get more involved in supporting farmers by means of specific programs.

[Francikova] So, you believe that within the next four years the government will abandon the strictly liberal orientation of our agriculture?

[Lux] It is my wish that a liberal environment existed so that our farmers could compete with the Netherlands, Bavaria, or Poland. We know, however, that this is not the case today. At a government session, I expressed the opinion that if the prime minister, the foreign minister, and the others managed to convince the world to reduce the tremendous level of state participation, it would be a great victory for our farmers and they would do well in the competition. If this fails, it would not be realistic to expect that we would create some Taiwan on the 4.2 million hectares of agricultural land in the Czech Republic, a little cell [bunka] with a completely different regime. We must regard the world around us, the EU, whose membership we have applied for. Nevertheless, we must also regard the negative phenomena such as in Poland, where tremendous sums flow into agriculture for political reasons.

[Francikova] So, you admit that Czech agriculture will soon adapt to the common agricultural policy of the EU, which has been the subject of frequent attacks by our politicians?

[Lux] We must formulate the rapprochement of our policy with the practice of the EU within four years because we have applied for full membership. It is not very likely that the EU states will give up the quota system, for instance, by the time of our entry. Hence, we must be ready to accept this system on the day

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of joining the EU. We are in the process of preparing various studies that should guarantee our readiness.

[Francikova] Why wait for the day when we join the EU; would it not be better to join with the system already implemented?

[Lux] We must get to know the specific intentions of the EU in agricultural policy. We do not know them at this time. We have no idea on what basis the quotas will be calculated. It would not be right to reduce our production by a premature initiative.

[Francikova] Let us go back to a specific topic, this year's cereal harvest and prices. There have been calls for higher prices.

[Lux] As for cereals, I believe that the price of 3,500 korunas per metric ton of wheat set by the State Market Regulation Fund guarantees a good return and is on the border of maintaining the level of inflation. Regarding the possibility of exports, I must say that the possibility exists of introducing an export tax that would be of a prohibitive character. The assumption of all the middle men, who believe that they will buy cereal for 5,000 and export it for a multiple of the price, is not realistic. The state simply cannot afford not to buy. I admit, however, that all the measures must be accompanied by steps on the part of the state, which would compensate the farmers for the lower price.

[Francikova] Is it realistic to believe that the work of the Support and Guarantee Farming and Forestry Fund [PGRLF] will expand into the food industry?

[Lux] So far, it is not possible to open the regime of the PGRLF to food industry because these funds would end up in banks. Most enterprises still have old credits, which are not good, and, if we opened the system, most banks would use this state participation to cover their credits.

Czech Republic: Changes in Final Government Policy Statements

AU2307070696 Prague PRAVO in Czech 20 Jul 96 p 2

[Report by "ave": "The Government Policy Statement No Longer Expects Power Rate Liberalization"]

[FBIS Translated Text] Prague—The government policy statement, the definitive text of which the chairmen of the deputies' factions received at noon on Friday [19 July], is marked by several substantial changes in comparison with its original draft. The passages on the creation of competition in power generation, for instance, and on the maximum deregulation of the price of power, or on state responsibility for the network of vocational education, disappeared from the statement after the Wednesday government session.

The statement still contains references to fees for students at all institutions of higher education, and on the "involvement of citizen economically and rationally in the use of health care," which the strongest opposition party, the Czech Social Democratic Party, emphatically rejects.

Government coordination of the intelligence services again appeared in the statement, as did the promise of settling the issue of support for nonprofit organizations.

The government in the end omitted from the preamble of the original statement the paragraph on the "indubitable fact that our country needs a stable government." The original text justified this for domestic reasons, international credibility, and the need to continuously work on integration into the EU and NATO.

Klaus's government deleted from the original draft the sentence on reducing state ownership in the large banks, which was to "increase the ability of the domestic banking sector to compete, and reinforce its stability." The ministers also gave up the commitment to contribute toward creating a competitive environment in the field of power generation "with a maximum deregulation of power rates."

The chapter on education is marked by the most changes. The original paragraph, in which the government was to characterize education as "one of the fundamental prerequisites for a free and full life by citizens, and for the economic and cultural development of the entire society," has been omitted. Similarly, the sentence on the definition of educational and evaluation standards in education and "clear and tangible" principles for its financing has been left out.

The government also dropped from the definitive text of the statement the mention of support for preserving the cultural identity of Czechs abroad.

Czech Republic: Parliament Chairman Discusses Policy Statement

AU1807144896 Prague PRAVO in Czech 17 Jul 96 pp 1, 4

[Interview with Milos Zeman (CSSD), chairman of the Chamber of Deputies, by Alexandr Mitrofanov; place and date not given: "It Is Possible To Tolerate the Government But This Must Be Preceded by Talks"]

[FBIS Translated Text] [Mitrofanov] Does the possibility exist that the CSSD [Czech Social Democratic Party] will not express its confidence in the government?

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[Zeman] There were three basic possibilities: The CSSD will express its confidence in the government, it will abstain from the vote—and thereby it would in fact tolerate the government—and finally, that it will vote against it. After Ministers Rumi and Vodicka were nominated for the cabinet, the first option virtually disappeared, because we believe that these ministers are incompetent. Hence, we are left with the choice between the two remaining alternatives, and I believe that the decisive factor will be the content of the government policy statement. That is also the main reason why we want to get acquainted with this statement beforehand, so we can make a competent decision without any time pressure.

[Mitrofanov] Jan Kalvoda, ODA [Civic Democratic Alliance] chairman, said that the chairman of the Chamber would receive the text of the statement one day in advance. Will that be enough for the CSSD?

[Zeman] Advance notice of one day is better than no advance at all, but I still do not understand the games that are being played around the policy statement. One example is the claim that it is the prime minister's address to the Chamber. After all, the government passes a certain document, which is called the policy statement, and this document indubitably is a result of creative work. Thus, the prime minister can deliver it in the Chamber, but he really cannot deviate from it. This indicates that no reason exists for the Chamber, and thereby also the CSSD, to receive the text of the statement as soon as it is passed by the government. I do not believe that it would interfere with anything. On the contrary, I believe it a natural exchange of information. I would consider the opposite a flagrant violation of the agreement concluded at the meeting with the president of the republic.

[Mitrofanov] CSSD First Deputy Chairman Karel Machovec said on Sunday [14 July] that the CSSD needs a period of one week, above all, for an internal party assessment of the party statement that, among other things, also for conceivable talks with the coalition parties. What would you discuss with the coalition?

[Zeman] The coalition parties have assumed—be it for lack of information or for other reasons—the absurd idea that the CSSD wants to either censor or participate in drafting the statement. We stated quite clearly that, on the basis of the election outcome, we are an opposition party and intend to monitor the government rather than cogovern. If we coauthored the policy statement, it would be a concealed form of cogovernment. On the other hand, if the president's statement said that he expects a certain form of mutual information between the coalition parties and the CSSD, I consider it absurd, and it certainly reduces the probability of the Chamber expressing confidence in the government if such a communication were terminated by a unilateral act. What would be the beneficial content? First, in a mutual elucidation of some ambiguous formulations, because the text of the statement could be unclear. Second, in the communication of the opinion of the CSSD on the policy statement so the partners can be prepared for our reaction beforehand, and no subsequent unnecessary surprises will follow.

[Mitrofanov] The CSSD has been referring to a new obstacle tolerating the government recently, and that is the restitution of state forests to the church. How much can this affect your stand?

[Zeman] Our point of departure is the assumption that such a sentence would not appear in the statement because, according to the first reports, the restitution of the church land property was not a direct part of the policy statement. This is also one of the specific reasons for the discussion you mentioned. If we are to be surprised by such a sentence appearing in the statement at the last moment, then I believe it would unnecessarily arouse emotions and further reduce the probability of expressing confidence in the government.

[Mitrofanov] Will you initiate talks with the coalition parties this week?

[Zeman] The initiation lies on the other side. The space for these talks has been created, and I believe that it would not harm the ODS [Civic Democratic Party] in particular if it admitted its mistake resulting from an overly emotional Czech Radio interview with the Czech prime minister last Tuesday [9 July], because this interview led to an unequivocal denial of the concluded agreement that the CSSD would receive the policy statement beforehand. The question is not even whether the agreement was violated in a point that one party considers less, or perhaps more, important. If it is openly stated that I intend to violate a certain concluded agreement, I also become untrustworthy in all the other points. Moreover, I believe that precisely this is a good reason for reviving the atmosphere of a matter-of-fact discussion, which—after all—brought results in the past period.

[Mitrofanov] The coalition parties, and the ODS in particular, do not at all look like they were about to initiate talks with the Czech Social Democratic Party this week. Where could it lead if such talks did not take place at all?

[Zeman] It would not be fair to conceal that a critical mood has been rising within the CSSD with respect to tolerating the government, as was demonstrated also by

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its presidium meeting on Friday, and this criticism has been frequently motivated not only by the content of the policy statement—if I can trust the versions about which we learn unofficially from the press—but especially by the aforementioned mode of communication. In politics, whether or not we like it, and often more than is healthy—short-term emotions and prestige are the decisive factors. I tried to give a chance to the revival of the discussion, so the negotiating parties would not surround themselves by a Wall of China or arrogance of the type "you will learn it in the Chamber." People should communicate, which does not at all mean that they must change their views.

[Mitrofanov] What is the mood like in the CSSD deputies' club?

[Zeman] If the aforementioned criticism has been expressed in the presidium, then the critical approach of the club will to a great degree depend on whether the deputies will have the impression that the concluded agreements have been violated.

[Mitrofanov] How would the CSSD benefit from a vote of no confidence in the government?

[Zeman] At this time, it is premature to discuss this alternative. Its likelihood would increase precisely if the self-confident arrogance of power appeared on the other side. I, myself, believe that, under certain circumstances, it is possible to tolerate this government, but it cannot be at the price of the CSSD giving up its main program principles. We believe that it is possible to achieve this by a reasonable policy statement, but also by a reasonable form of communication. I welcomed the public statement by Vaclav Klaus that the policy statement should be written in such a way as not to offend anyone. I would like it if the manner in which the statement is presented would not unnecessarily offend anyone either.

[Mitrofanov] What concepts in the policy statement are you going to oppose?

[Zeman] We have proposed a feasible solution of the so-called two levels, which is based on the idea that wherever the government has intentions not directly expressed in the policy statement, but the implementation of which the statement facilitates, it would express them in the form of a specific bill. An attempt to deal with the problem areas and the program differences between the coalition and the CSSD in a single move on the level of a policy statement could only result in a conflict and, in an extreme instance, in a constitutional crisis.

[Mitrofanov] Does the list of matters against which you will protest include the level of taxation as conceived by the government?

[Zeman] We have never stated that we would increase taxes. We were more careful about reducing the tax burden than some other political parties, and we have emphasized that a reduction of taxes in itself would mean a reduction of budget revenues and, in extension, a need to reduce budget spending. We have feared that such a reduction would not be projected to the state administration, where it would be very expedient, but rather to spending on health care, for instance, or education, culture, environment, and other spheres. On the other hand, we see a solution in a more-intensive punishment of tax evasion, which would result in growing budget revenues, and then taxes could be reduced correspondingly. Although we argue a somewhat different, less general, and more selective method of reducing the tax burden than the coalition parties, I see it as a problem that is only partly political and partly technical. We certainly will not be offended if, in its policy statement, the government expresses its general intention to reduce the tax burden.

Czech Republic: First Czech Ambassador Leaves for Vietnam

AU2307082296 Prague PRAVO in Czech 17 Jul 96 p 7

[Report by Jiri Piskot: "The First Ambassador of the Czech Republic to Hanoi"]

[FBIS Translated Text] Ambassador Marek Skolil left on Tuesday [16 July] for Vietnam (VSR, the Socialist Republic of Vietnam), his new place of work. He is the first Czech ambassador to Hanoi since the partition of the Czechoslovak federation. This post has not been filled for three and a half years.

Before the departure, the ambassador replied to a PRAVO question that the fact has been gradually accepted in Prague that the Czech Republic has potential in Vietnam that other countries can envy: Numerous people, who studied in the Czech Republic, or in the VSR, are working on Czech machines. Skolil is convinced that the friendship of the Vietnamese for the Czechs continues. Dozens of Czech enterprises expressed their interest in reviving old contacts in Vietnam, and their confidence is reinforced, among other things, by the framework agreement on the payment of old debts on the part of Vietnam. An agreement has already been concluded on the prevention of double taxation and mutual protection of investments. Only details are to be completed, the ambassador said.

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Czech Republic: CSSD Holds Secret Talks With Communists

AU2307094196 Prague LIDOVE NOVINY in Czech 19 Jul 96 p 2

[CTK report: "CSSD Allegedly Keeps Talks Secret"]

[FBIS Translated Text] The CSSD [Czech Social Democratic Party] informs us falsely, when it denies cooperating with the KSCM [Communist Party of Bohemia and Moravia] in the preparation of slates for the Senate elections, KSCM Chairman Grebenicek stated yesterday. The communists have already conducted talks on this topic with CSSD representatives in some parts of Prague and in the north of Bohemia. The outcome could mean a joint candidate running in the first round or the support for the candidate of the other party in the second round.

Czech Republic: CSSD on Restitution of Church Property

AU1907142596 Prague HOSPODARSKE NOVINY in Czech 18 Jul 96 p 3

[Report by "vaj, pra": "Social Democrats Reject the Coalition Idea of Church Property Restitutions"]

[FBIS Translated Text] Prague—Social democrats do not agree with the church property restitution being based on a government decision. Therefore, they intend to push through a resolution in the next parliament session, in which the deputies would commit the cabinet to deal with the issue by a law. This has been confirmed by the chairman and deputy chairman of the Chamber and the Czech Social Democratic Party [CSSD], Milos Zeman and Petra Buzkova, respectively, in an reaction to the Supplement to the Coalition Agreement, which was signed yesterday, and, according to which the property would be restituted to the churches, including all the forests. At the same time, the churches would lose any claim to government support, with the exception of subsidies for the maintenance of cultural monuments.

As Milos Zeman emphasized, restitution by an executive decision would represent a disproportional reinforcement of the government powers and create an imbalance between the cabinet and the parliament. Moreover, it could become a dangerous precedent for other property transfers based solely on a government decision. If the coalition did not accept the adoption of the parliament resolution on restitution, the stand of his party regarding the minority government could worsen, according to Zeman. Buzkova added for HOSPODARSKE NOVINY that, according to the coalition concept, the property would go almost explicitly to the Roman Catholic Church, while all the other churches would also lose the state subsidies. In addition, she believes that even the Roman Catholics would not be able to sufficiently finance the protection of the church cultural monuments, and the system of relations between the state and the churches would return to the principle of state subsidies. Jan Kasal, chamber deputy chairman for the KDU-CSL, emphasized in his response to a HOSPODARSKE NOVINY question that only the property that is still registered as owned by the church would be restituted by executive decision, although the state began to manage it under the communist regime. Other property would be restituted by law. He also pointed out the stipulation of the coalition document, according to which the churches not affected by the restitution would not lose the government subsidies. The protection of church cultural monuments would be supported by the state just like monuments in anyone other's possession, Kasal added. Prime Minister Vaclav Klaus stated that the form of restitution by executive decision would apply to property, the restitution of which does not require a certification by parliament.

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Slovakia: Schenk on Moves To Improve Country's Reputation

AU2307081696 Bratislava NOVY CAS in Slovak 20 Jul 96 p 3

[Interview with Slovak Foreign Minister Juraj Schenk by "(vrb)"; place and date not given: "We Want To Change"]

[FBIS Translated Text] [NOVY CAS] Several senior representatives of the EU countries and EU officials have cast doubt recently on the Slovak Republic's readiness to join the EU in the near future. Will Slovakia manage (within the time frame and qualitatively) to adapt itself to democratic European norms sufficiently to improve its reputation?

[Schenk] I would break this question into two levels. The first thing that has to be pointed out is the fact that there is no democratic standard in Europe and in the world in general. There is a whole series of issues for the arrangement of democracies that (so I do not go into the details) can be dealt with by various means within the framework of tolerance. The question is, toward which of these models will we draw close and from which position will we consider these issues? I would not like to answer this at the moment, because I could refer to certain negative examples in western European countries. It is possible to find many of them, and we could also ask certain questions. But, the second level is the main one: It goes without saying that the transformation process and the crystallization of the political system bring political problems that it is necessary to come to terms with. It is necessary to come to terms with them democratically and constitutionally, and this, of course, requires certain time. How much time will be necessary for this? It is very hard to say. It depends on how our democratic culture is constituted and on the extent that consensus is found among the individual political parties. The nonexistent consensus among the political parties is very damaging to Slovakia's reputation. I think that this process could culminate successfully right at the time when the negotiations on entry begin.

[NOVY CAS] Could our politicians manage this in a year and a half?

[Schenk] Of course. I think that very important signals will be sent in the foreseeable future.

[NOVY CAS] Will you also manage to convince the EU's exacting diplomacy of this?

[Schenk] If they consider the specific objective situation, then the answer is yes.

Slovakia: HZDS Daily Criticizes Kovac Pardon Grant

AU1907164096 Bratislava SLOVENSKA REPUBLIKA in Slovak 19 Jul 96 pp 1-2

[Article by Viera Urbanova and Milan Jasovsky: "President Granted Pardon Not Only to His Son, But Also to Himself"]

[FBIS Translated Text] Bratislava—On 17 July, President Michal Kovac has decided to halt criminal proceedings in the Technopol case against suspects Martin S.-M. and Marian K. The president wants to give the two indicted persons the chance to be questioned by German investigating bodies. The head of state believes that this will help solve a case that is being abused for political goals and that traumatizes the whole society. We asked Stanislav Lehotak, chairman of the Supreme Court of the Slovak Republic Tribunal of Judges, for his opinion about this unusual step by the president.

"I was appalled when I heard this report yesterday," Stanislav Lehotak told us right at the outset of our interview, and added: This action by the president has actually confirmed the predictions of those who had expected such a development in the Michal K. case."

[SLOVENSKA REPUBLIKA] How will the decision of the head of state influence the further development of the Michal K. Jr. case, in your opinion?

[Lehotak] It follows from the pardoning of the two suspects that they will depart for Germany where they will apparently testify in favor of Michal Kovac Jr. in the sense that he had nothing in common with the case. This means that Michal K. Jr. will no longer have to travel to Germany himself, but it also means that, based on the testimonies of Martin S.-M. and Marian K., the criminal prosecution will not continue. But, and this is the most important aspect, it will apparently not be necessary to grant a pardon to Michal K. Jr.

[SLOVENSKA REPUBLIKA] Was the pardon warranted in this case?

[Lehotak] It is outright incredible that the president of a state, regardless of which state it is, disposes of the institute [institut] of pardon in this way. This institute is to be used only in very exceptional instances to solve very extreme cases in which the pardon is justified for humanitarian reasons. And there is yet another extremely interesting fact that our public apparently does not realize. If the president, who is also the father, grants pardon to his own son or to persons in collusion with whom the son is suspected to have committed the crime, he is actually granting pardon to the president and father, that is, to himself. [end Lehotak]

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Disputes between the Slovak prime minister and the president, with the suspicion of criminal activity by the son of the head of state in the background, surely do no credit to our reputation abroad. It is even being argued that they could be a brake on our efforts to join the EU and NATO. From this viewpoint, the presidential amnesty and the definitive winding up of the Michal K. Jr. case could be presented as an endeavor to remove a pretext for postponing Slovakia's admission into the second stage.

In reality, however, such a step will not contribute in the least to calming the situation and will only increase the suspicion that, by means of the amnesty, the president wants to cover up possible misdeeds of his offspring. What is more, the words of one of the suspects in the Technopol case—that the president will pardon everyone, with the exception of Peter Krylov—would be confirmed. And from that, there really is only a small step to the suspicion that, by terminating once and for all the inquiry into the multimillion dollar fraud, the president also wants to ward off the suspicion, once and for all, that he was personally involved in the case. And, indeed, such a suspicion does no credit to the name of a republic that proclaims itself to be a state based on the rule of law. The son's muscle-flexing talk about not accepting the pardon, if awarded, is only a ludicrous endeavor to obliterate the gist of the problem, and it will change nothing about the fact that the public will never learn the names of the culprits, and the present suspects will get away with impunity. After such a fiasco, will Michal Kovac still insist on remaining in the presidential post until the end of his term?

Slovakia: Complaints Against Security Directors Put Aside

AU2307091096 Bratislava SME in Slovak 22 Jul 96 p 2

[Report by "(jo)": "The Investigator Has Put Aside the Complaint Against Minister Hudek and SIS Director Lexa"]

[FBIS Translated Text] Bratislava—A Slovak Republic Police Corps (PZ SR) investigator has decided to put aside the complaint submitted against Interior Minister L. Hudek and Slovak Information Service [SIS] Director I. Lexa concerning infringements of the law. The complaint was submitted in May of this year by Republican Party Chairman I. Duris on the basis of the report by L. Pittner's Independent Civic Commission drafted in connection with the kidnapping of M. Kovac Jr. and of the telephone conversation between Minister Hudek and Secret Service Director Lexa, from which it was evident that the state officials had been interfering unacceptably in the course of the investigation into this affair. Apart from the civic commission's report and a transcript of the telephone conversation, I. Duris also submitted in his complaint a transcript of the nocturnal meeting between Hudek, Prosecutor General M. Valo, and other persons and the case's investigator, P. Vacok. According to the reasoning of the investigator who decided to put aside the complaint, after studying these materials "it was not apparent that any of the criminally liable persons mentioned had, by his conduct, committed a crime or, alternatively, carried out any of the acts consistent with the crimes listed in the special section of the Penal Code." The resolution on putting the matter aside was signed by Officer Biros of the PZ SR municipal department in Bratislava Stare Mesto-West. It is not clear from the resolution if the investigation against Prosecutor General M. Valo has also been put aside. The investigator does not mention his name in the decision, despite the fact that the complaint had also been submitted against M. Valo. I. Duris submitted a protest within the due deadline against the investigator's resolution.

Slovakia: NBS Governor Views Development of Economy

AU1907152796 Bratislava PRACA in Slovak 18 Jul 96 p 2

[Article by Juraj Maslani: "Governor Masar on National Bank's Measures; Against Overheating of the Economy and Inflationary Pressures"]

[FBIS Translated Excerpt] Bratislava—The asymmetrical development of the economy continues, Vladimir Masar, governor of the National Bank of Slovakia [NBS], said when explaining the NBS measures [to curb inflation and stabilize the currency, announced on 16 July]. While the GDP increased 7.3 percent in the first quarter and the annual rate of inflation reached 6.2 percent at the end of June, the deficit of the balance of trade for the first five months of the year already amounts to $858 million, and the deficit of the current account of the balance of payments to $717 million. This development is accompanied by an excessively large growth in credit. The foreign exchange reserves have declined by $350 million in the first half of the year. The money supply grew by 11 billion korunas [Sk] in the first half of the year and exceeded the value projected by the NBS by Sk5.3 billion. The GDP growth was stimulated by domestic demand, particularly by an inordinate growth in credit extended to companies and households. In mid-year, the volume of credit exceeded by Sk8.5 billion the value planned for the whole year. According to Vladimir Masar, this development could find its expression in the "overheating" of the economy, and creates the danger of inflationary pressures. At the same time, it causes a

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deepening of the balance of trade deficit in the future. In view of this, the NBS was forced to adopt measures of principle to reduce the excessive amount of money in the economy.

The NBS estimates that the increase in the minimal obligatory reserves [of commercial banks deposited with the NBS] will withdraw "from circulation" Sk12 billion, and the resulting increase in interest rates should not exceed 0.2-0.3 percent. According to Vladimir Masar, the adopted measures will make themselves felt in the lowering of GDP growth up to this point, and "they will be effective if they are followed up by additional measures by those who share responsibility for the development of the economy." The NBS expects from the government, above all, discussion of the law on taxation of the banks' reserves and bad loan provisions, amendment to the law on bankruptcy and settlement, and effective measures in support of exports. Speaking about imports, the governor remarked that the development of imports so far testifies to the restructuring of households, rather than to the restructuring of the economy. [passage omitted]

Slovakia: Plan To Operate Bohunice Until 2010 Revealed

AU1907135796 Bratislava SME in Slovak 18 Jul 96 p 3

[Report by "ata": "Bohunice Nuclear Power Plant Until Year 2010?"]

[FBIS Translated Text] Bratislava—"The 'analysis' drafted by the Ministry of Economy clearly shows that its program of energy conservation has flopped. The Ministry of Finance did not allocate any funds for the program, and it ceased to function last year. This actually means that the government is not fulfilling another part of its policy statement," Lubica Trubiniova, chairwoman of the Slovak branch of Greenpeace, said yesterday. The "Analysis of the Present State of the Power Industry in the Slovak Republic," which the Ministry of Economy published in May, was criticized by Trubiniova also for its unequivocal orientation toward nuclear power. "Contrary to the statements by the prime minister, and also by the minister of economy, according to whom the Jaslovske Bohunice nuclear power plant is to be taken out of operation by the year 2000, it follows from the 'analysis' that the government wants to keep the Bohunice nuclear power plant in operation at least until the year 2010 and envisages its concurrent operation with the Mochovce nuclear power plant. This raises the suspicion of a deception of the citizens well as the foreign partners and lowers our country's reputation."

Slovakia: SNS Responds to Hungarians Abroad Meeting

AU2307101896 Bratislava NARODNA OBRODA in Slovak 22 Jul 96 p 2

[Article by Rudolf Delincak: "The Slovak National Party Expects a Reaction From the Trianon Agreement Signatories"]

[FBIS Translated Text] At the conclusion of Saturday's [20 July] session of the Slovak National Party [SNS] Central Council in Zilina, its members adopted a point of view in which they state that the joint declaration of the conference on Hungary and Hungarians Abroad has impaired fundamentally relations between the Slovak Republic and Hungary, and this is leading to the destabilization of the Central European region. The SNS points out that, by its stance, the Hungarian Government has cast doubt on its readiness to join the European structures. The SNS is also gravely concerned by the other manifestations of this dangerous policy and rejects emphatically any kind of celebration of violence, aggression, and genocide on our territory, such as the celebration of the 1,100th anniversary of the incursion by Hungarian nomads. The SNS points out that, at a time when the civilized world is condemning violence and terrorism, the Hungarians are preparing arrogant celebrations of murder, terror, and the extermination of a civilized nation on its own territory, which is at variance with the contents of the Trianon Agreements in which the propagation of Greater Hungarianism is prohibited. Therefore, the SNS expects the Trianon signatories to react to the aforementioned declaration. The SNS will push for the EU and NATO countries to be informed truthfully of the real status of the Hungarian minority in Slovakia. Apart from this, at the National Council of the Slovak Republic meeting, it will initiate the rapid repeated inclusion of an amendment to the Penal Code; the submission and approval of a new law on elections to self-administration bodies, taking into consideration proportional representation for the ethnic minorities; a reassessment of Articles 15 and 34 of the Slovak Constitution; and the submission of a legal regulation adjusting the conditions for erecting monuments on Slovak territory.

According to a radio interview with J. Slota, the SNS, in reaction to the attempts by the Hungarian minority to mark the 1,100th anniversary of their arrival in the country, also intends to demand the approval of a new law on elections to self-administration bodies with an eye to proportional representation for the ethnic minorities. Apart from the reintroduction of the death penalty, which Council of Europe experts have already rejected, the SNS would like to amend the constitution

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so that, as in Hungary, all citizens are enjoined to master the state language.

Slovakia: Deputies Debate Hungarian 'Autonomy' Declaration

AU2307130696 Bratislava NARODNA OBRODA in Slovak 22 Jul 96 p 2

[CTK report: "M. Andel to the Hungarian Deputies: Pack Your Bags and Leave"]

[FBIS Translated Text] Bratislava—The political representatives of the 500,000-strong Hungarian minority in Slovakia gave an assurance on yesterday's Kroky [Steps] television program that they are not striving for territorial autonomy and annexation to Hungary.

"We are not casting doubt on the borders. We are part of this country, and we want to fight for a better Slovakia," declared Pal Farkas, one of the leaders of the Hungarian Christian Democrats. Marian Andel, the deputy chairman of parliament and a representative of the Slovak National Party (SNS), gave an assurance that the ruling coalition will do everything to ensure that "ethnic Hungarian citizens are equal citizens of the Slovak Republic." "If you do not like it, pack your bags and leave," said Andel to his partner in the discussion, Coexistence Chairman Miklos Duray.

He had emphasized that the Budapest declaration concerning autonomy is the basis for establishing a society on the civic principle. "Apart from the fact that civic liberties are under threat in individual states, the identity of the Hungarian minority is also under threat."

Robert Fico, deputy chairman of the Party of the Democratic Left and a legal expert, criticized his opposition colleagues from the ranks of the Hungarian Coalition and said that the Budapest declaration, which the leader of the Hungarian Government and foreign minister also endorsed with their signatures, creates an unacceptable situation. It is as if the Hungarian minority's political partner were the Hungarian, and not the Slovak Government. A similar extreme is, according to R. Fico, the attempt by the SNS to take away the immunity of the five ethnic Hungarian Slovak deputies who attended the Budapest conference. In the opinion of R. Fico, however, the talks on the international treaty with the coalition partners, or, rather, the parliamentary parties, were a mistake.

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Hungary: Secret Service Increases IFOR Troops' Protection

LD2307093796 Budapest Kossuth Radio Network in Hungarian 0600 GMT 23 Jul 96

[FBIS Translated Text] Owing to possible terrorist attacks against U.S. targets, the Hungarian secret services have strengthened the protection of the IFOR troops stationed in Hungary, Major General Tamas Somogyi, cabinet chief of the minister supervising the civilian secret services, told NEPSZABADSAG. He referred to the TWA passenger plane catastrophe, the explosive device found at the Chicago airport, and other threats, but gave no further details.

Somogyi also said that the IFOR troops serving in Hungary have already been under protection, because any coordinated international action could provoke terrorist attacks.

Hungary: Postausterity Economic Package Analyzed

96CH0130B Budapest FIGYELO in Hungarian 16 May 96 pp 15-18

[Article by Miklos Merenyi: "Macroeconomy: Trends"]

[FBIS Translated Text] One cannot draw far-reaching conclusions from first quarter data to determine whether the Hungarian economy is running on a stable growth course, nor can it be determined whether last year's spring crisis threatens again. This is so because the situation has mostly "gelled." There is no need for short-term crisis management at this time, the real, long term reserves are concealed in decisions that amount to reform.

Vaclav Klaus was probably the one who inspired the success propaganda the government has initiated since the beginning of the year. The difference, however, is fundamental: Hungary has every reason to be self-confident. By the first quarter of 1996—if this is measurable at all—Hungary has regained a level of international recognition it had not enjoyed since the beginning of the system change. Dozens of analyses recognizing the performance of the Hungarian economy (and government) have been published by organizations ranging from the Deutsche Bank through the Nomura Research Institute all the way to the weekly newspaper THE ECONOMIST, and the Standard and Poor's credit rating institute once again changed the credit worthiness of the Hungarian economy, showing that it has positive prospects. After almost a year of hesitation, late last year the Horn cabinet conducted a privatization campaign of a scope unprecedented on a world-wide scale, not shrinking even from the partial sale of the politically sensitive energy sector. Including preferential investments, operating capital representing 9 percent of the GDP, or a total of $4.5 billion flowed into Hungary in the course of a single year. The total value of foreign capital invested so far in Hungary reached the $13 billion mark as of February. A total of 25,000 partly or wholly foreign owned companies operate in Hungary; these provide 70 percent of all industrial exports, presently expanding dynamically. Thirty-five of the 50 largest multinational firms of the world are present in Hungary. By now, the private sector provides almost three-fourths of the total national output.

The Smallest, the Most Developed

Hungary's net foreign indebtedness (not including loans provided to subsidiaries registered in Hungary by their owner parent companies) has been reduced, by February 1996, to barely more than $15 billion, along with the accumulation of an impressive $11.5 billion in foreign exchange reserve. Last year, they managed to reduce the current balance of payment deficit to $2.4 billion, and although in the first two months of this year the deficit exceeded $600 million, the finance minister states that the planned deficit can be maintained at about $2 billion.

Meanwhile, in the central budget—not counting privatization revenues and one-time payments—a 10-billion-forint [Ft] adequacy fund accrued by April, and privatization revenues, created a Ft176-billion surplus. Although the latter is true only in the context of cash flow, it served to reassure investors because the surplus indicated that the state had no need to obtain quick and expensive money to finance either its external or internal debt. Return on securities virtually began to plummet as the central bank only followed the money market when it first reduced the discount rate from 28 to 27 percent beginning in February, and by another percentage point to 26 percent beginning in May.

Pursuant to Clause VIII of the IMF basic agreement, the forint became convertible beginning 1 January, and 15 March, recognizing the success of the stabilization program—for the first time since September 1993—the powerful IMF board of directors once again approved a standby loan agreement, this time in the amount of $387 million for a 23-month period. Closely related to this is the fact that the OECD accepted Hungary's application to join, and thus, since May, Hungary is able officially to claim to be one of the most highly developed countries in the world. Hungary has a good basis now to prepare itself for negotiations on joining the EU, expected to begin in 1998.

Obviously also due to the declining country risk, trading on the Budapest Stock Exchange [BET] began soaring

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as never before—by now the BUX [index] is close to its 3,000 peak—during the first few months of the year the average daily volume quadrupled over last year's volume, exceeding Ft1 billion. With that, BET has outgrown itself to become one of the most promising exchanges of the so-called upward-bound markets (causing no small concern for the MNB [Hungarian National Bank], because the neutralizing of speculative capital that flows in is the central bank's function).

Based on flash bulletins issued by firms listed by the stock exchange, and based on last December's mandatory corporate tax advance payments—which yielded double the amount of budget revenues as compared to 1994—one could conclude that a larger proportion of enterprises showed profits in 1995 than in previous years. The way the Procurement Manager Index is shaping up indicates that the signs of a mild upswing in the economy could also be seen at the beginning of the year; forecasts for both production and orders were favorable. All this is also supported by the most recent data released by the KSH [Central Statistical Office]: After stagnating in January, industrial production once again grew in February, and has increased by 2.2 percent over and above the already high base figure of last year. And what is at least as important: During the first two months of the year, industrial productivity has increased by 10 percent, as compared to the same period a year ago.

Facts and Plans—Selected Fundamental Indices of the Hungarian Economy

	1992	1993	1994	1995	1996*	1997*	1998*	1999*	2000*
GDP (billions of dollars)	37.2	38.5	41.4	45.3	47.3	51.7	56.0	61.7	68.5
Per capita GDP (dollars)	3,600.0	3,736.0	4,034.0	4,421.0	4,304.0	5,074.0	5,511.0	6,087.0	6,753.0
GDP annual growth (in percent)	- 3.0	- 0.8	2.8	2.0	3.0	4.4	5.0	4.0	4.6
Inflation (annual average consumer price increase, in percent)	23.0	22.5	18.8	28.3	24.0	17.0	14.0	11.0	10.0
Unemployment rate (year end, in percent)	12.3	12.1	10.4	10.4	10.5	10.5	10.3	10.3	10.0
Balance of payment (in billions of dollars)	0.3	- 3.5	- 3.9	- 2.4	- 1.7	- 1.4	- 1.1	- 0.7	- 0.4
Balance of payment (as a percentage of GDP)	0.8	- 9.1	- 9.4	- 5.5	- 3.7	- 2.8	- 1.9	- 1.1	- 0.5

FOOTNOTE: *Progosis by THE ECONOMIST Intelligence Unit; Source: KSH, OECD

Settled Conditions

Gyula Horn hurried to deliver a victory statement as early as February, after the National Assembly's month and a half winter recess. He used a term of some ill repute: He called 1995 the "year of the turnaround." But the fact that this undoubtedly impressive series of results

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must not be viewed as the final report on a recovered patient leaving the hospital was well indicated by the evolution of what became initially a silent professional debate, and later, what should have been a public debate concerning the extent of the creeping forint devaluation introduced in March 1995. A debate was centered around the fact that tension evolved between growing inflation in early 1996 on the one hand, and the 1.2-percent per month devaluation announced in advance, on the other. The tension was so great that doubt was cast not simply on whether in the spring it would be possible to reduce the pace by 0.1 percent—the central bank president raised this prospect, perhaps somewhat hastily late last year—but instead the question was raised of whether the entire exchange rate structure can be maintained. Once again, (pseudo) news about a one-time, larger scale devaluation spread. In the end, central bank management, in agreement with the government, wisely decided to maintain the 1.2-percent devaluation rate until inflation data allow a reduction of that rate. In January and February, industrial producer prices exceeded last year's prices by 25.6 percent, while agricultural producer buy-up prices were 18.6 percent higher than a year earlier. During the first quarter, consumer prices were 27.6 percent higher than a year earlier. Based on these data it is not difficult to calculate that at the present level of inflation, maintaining the pace of devaluation leads to the relative appreciation of the forint. This does not mean the surrender of the effective devaluation policy—only if as a result of earlier devaluations sufficient reserves accumulated in the exchange rate of the forint. But this, too—not unlike the liquidation of the 8-percent supplemental customs duty by 1-1 [as published] percent this year, and by 6 percent next year—could present significant problems in conjunction with the dynamics of export growth; these problems could have—and will have—a direct impact on the trade balance and the balance of payments, as well as on the bottom line of the budget.

The fact that not everything is all right with exports can be seen in the light of two problems that arose. The export-import ratio that opened up in favor of exports since the Bokros package went into effect became closed as of December. From the standpoint of exports, the last month of the year is generally viewed as a bad month due to seasonal changes, but the same thing cannot be said of the two months that follow December, and therefore it is conceivable that trends predating the Bokros package revived in regard to mercantile trade. All this is noteworthy, because the Hungarian current balance of payments is fundamentally determined by mercantile trade.

According to official explanations, one should blame the hard winter for the sudden jump in the energy import account during the first two months of the year, creating a $641-million deficit in the foreign trade balance. Although by March the pace of deterioration in the trade balance slowed down, it reached the $800-million mark, which was not at all reassuring. Accordingly, during the first two months of the year the earlier tendency of an improving trade balance—the rate of growth of exports exceeded those of imports—has made an about face. In January and February, exports increased by a mere 5.5 percent; imports increased by 11 percent due to a drastic decline in food exports, among other things. Not enough data is available to permit one to draw far-reaching conclusions, according to Laszlo Akar, the socialist party political state secretary at the Ministry of Finance, nevertheless, in his view, the situation has sufficiently "gelled" to permit us to loosen the restriction. True, he does not feel any substantive pressure in this regard.

Difficulties Avoided

Regardless of what was said, despite the many shrill arguments and clashing opinions, a number of disciplined party soldiers conduct themselves according to the momentarily official economic policy, perhaps contrary to their best judgment: They support selective restriction which nurtures the germination of growth, in which anti-inflationary policies have absolute priority.

The fact that no one on the stage of politics was able to torpedo the commitment to use excess privatization revenues to defray indebtedness is, in itself, reassuring. This, despite the fact that various organs in the ministries established lists of things needed, costing a total of about Ft142 billion. And insofar as the development of exports and the competitiveness of the Hungarian economy is concerned, one should expressly welcome the fact that the Ft23 billion of interest saved by using last year's and this year's privatization revenues to make installment payments on the debt, will be used by the government to stimulate exports, for infrastructure development, and to cover excess expenditures incurred in conjunction with state household reform.

Beyond that, the Horn cabinet has pumped relatively little money into the economy so far; it preferred to use the method of guaranteeing payments, which does not involve out of pocket expenditures. It would be difficult to question the validity of these commitments (such as the Ft11-billion guarantee related to MHB [Hungarian Credit Bank] Risk Ltd. bonds; the Ft320-million government guarantee for the Forma 1 Grand Prize; the Ft3-billion guarantee intended for the publication of school books; but a possible, additional Ft6-billion guarantee to Mezobank to cover the questionable loans inherited

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from Agrobank, and a Ft10-billion guarantee for a possible loan to be taken by BM [Interior Ministry] would be of the same nature). Capitalizing Mezobank up to a total of Ft11 billion involved a direct expenditure. An assumed loan of close to Ft29 billion for the organizational restructuring of MAV Rt. [Hungarian State Railroads Corporation] could also be listed among the unavoidable expenditures. One thing is certain: The role of the central budget as the distributors of moneys is becoming smaller and smaller, due to the lack of funds.

By now, only the privatization organization can be operated as a money distribution center. This year the APV Rt. [State Privatization and Property Management Corporation] is aiming for net sales revenues amounting to between Ft80-100 billion as a result of selling 18-20 state trusts. In exchange for compensation vouchers they intend to provide Ft80 billion for persons compensated, and further, they are planning to transfer assets worth Ft55-60 billion to social security funds. At the government's initiative, APV Rt. has pumped Ft8.5 billion to the Borsod region so far, out of the Ft13 billion scheduled to be transferred this year. Raising the basic capital of MBFB Rt. [Hungarian Investment and Development Bank] by Ft5 billion for the time being—in part to be obtained from privatization surplus revenues—also progresses as planned, at the Ft2.22-billion level, for now. A lawsuit related to land owned by local governments within the boundaries of municipalities, which APV Rt. has lost, cost that corporation close to Ft42 billion. All this transpired in a manner that the public could more or less follow the events.

"Under the table" financing transactions become exposed on relatively few occasions—a real property exchange transaction, however, in the framework of which the Ministry of Defense received money from the APV Rt., then used the money to pay for T-72 Belarus tanks, is a typical case of this sort. Since even today one cannot accurately follow the objects for which privatization revenues are expended, one can only hope that transactions like this involve relatively small amounts. In any event, Gyula Gaal—the SZDSZ [Alliance of Free Democrats] member of the Keller-Gaal National Assembly representative duo, which last year initiated the utilization of excess privatization revenues for the repayment of debts—established the prospect of having Tamas Suchman report to the Budget Committee of the National Assembly. In this effort they will obviously find a partner in the person of Peter Medgyessy, who commented at last week's government spokesman's conference: He would like to hear personally, from Tamas Suchman what the real reasons are behind the APV Rt. exceeding its legally authorized spending limit. In the course of such discussion the privatization minister will also be able to say that in full accord with the main thrust of economic policy, enterprises owned exclusively by the state, or in which the state exercises majority control, pursue well-considered wage policies: Wage increases are linked to precise efficiency criteria, and even at that, a 24-percent ceiling exists. (This self-restraint was not extended to the workers of APV Rt. itself: As a reward for last year's work they distributed more than Ft10 million in premiums. This, however, obviously does not affect increases in price levels to the same extent as would wage increases for close to 200,000 workers employed at firms exclusively owned by the state, or in which the state exercises majority control.)

Surface Treatment

The APV Rt.'s decision to restrict wage increases is obviously an organic part of the government's anti-inflation package adopted on 18 April, even though the APV Rt. decision was announced after 18 April. From the package announced with so much noise only the slower rate of energy price increases amounts to realistic anti-inflationary measures, and even there the question is to what extent this is realistic. The rest of the elements in the package could be categorized as political balloons. Down-scaling the supplemental customs duties has been an international obligation from the outset, and to top it off, merchants are expected to "swallow" the reduction in prices stemming from lower customs duties, i.e., the customs duties will, at best, not be added to prices in the future. Creeping devaluation itself generates inflation (although it is true that it maintains inflationary expectations within predictable limits). The review of pharmaceutical price subsidies was essentially completed as of 1 May, but by marking time for four months, the government, jointly with the health insurance administration board increased the fund's deficit by Ft1 billion. One should smile over the short-term government moratorium on increasing the amount of payments having the character of taxes and of fees paid for proceedings conducted by the authorities, because the government has announced the prospect of reduced tax rates next year anyway. The Bureau of Competition—to the pleasure of all of us, and to satisfy the expectations of the government—is expected to produce at least one investigative finding regarding unwarranted price increases. And yet, the most fascinating chapter of the inflation package is the one that prescribes that in the future, regarding privatization and concession rights, those proceeding on behalf of the state cannot accept any obligation involving price indexing. Disregarding a small detail, notably that in Hungary even the most optimistic prognostications predict single-digit inflation by the millennium only, one wonders, who would enter into a service agreement without price indexing? The interesting thing is in this regard is that only a few weeks earlier the government accepted an obligation involving

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price indexing. In the somewhat vague three-year price-wage agreement, entered into with the public employee unions and patterned after the Italian "scala mobile," the government committed itself to preserve the real wages of public employees. The financial aspects of this would be covered by reductions in force, but calculating the extent and pace of such reductions is far more difficult that calculating the difference between nominal wages and inflation. Thus the wages of public employees could run away even after price increases, which could create an extremely strong inflationary pressure considering the fact that there are 650,000 public employees. This year an average wage increase of 19.5 percent guarantees a maximum 2-percent reduction in real wages. Laszlo Bekesi, who created the MSZP's [Hungarian Socialist Party] economic program, and who is unfairly disregarded nowadays, agrees that breaking down inflation has become the primary goal of economic policy. But he also calls attention to the fact that surface treatment does not make much sense, because one should dig down to the roots. He is concerned about the three-year public employee price-wage agreement's provision according to which wages will be adjusted to inflation rates. And yet, he regards the lack of progress in preparing for state household reform as the greatest mistake.

Where Is Reform?

Economists as well as politicians are silent about the most thorny question of the coming decade: What is going to happen after privatization; who is going to manage in the future assets remaining under state ownership in the long term, and how?

So far, very little has been said about a substantive reform of government administration; the government expects to receive a report by the end of May, so that reorganization can begin in September. The substantive issues attending the transformation of the healthcare system are still in a fluid state; decreasing the number of hospital beds by 10,000 does not appear as something that exhausts the concept of reform. Presumably, the development of details may extend beyond the elections. In contrast, the outline of the future image of intermediate and higher education has emerged, although it could be that the political consensus is going to evolve along a concept that cannot be financed, just as that happened in the case of the public service radio and television.

The greatest progress can be found in the evolving nationwide debate over the pension reform concept that has matured by now into a government proposal. It is also true, however, that by cutting ahead of endless disputes, the "abrasive as sandpaper" Lajos Bokros (THE ECONOMIST Intelligence Unit country study characterized him that way) tried to avoid a situation in which his pure economic reform proposal bleeds to death as a result of the conflicting interests of various lobbies. The study, previously mentioned, describes Peter Medgyessy as compared to his predecessor as one who is more inclined to compromise, but the study also calls attention to the fact that such inclinations also carry the danger that political decisionmakers will go slow with the introduction of measures that continue to be necessary.

For now the signs of going lax cannot be seen. One thing is certain: Entirely unlike Bokros, Medgyessy is beginning to establish a reconciled decision preparation system, one that is perhaps better suited to a modern society. This is also indicated by the fact that he has appointed government commissioners for the modernization of the tax system and for the conceptual development of state household reform, thus also alleviating staff overburdened with current issues. Having seen Bokros's dynamics, however, an outsider may get the impression that Medgyessy is letting the initiative out of his hands, even though Medgyessy has always said that the Finance Ministry must not take away the task of developing the details of reform from specialized ministries. He assigned a catalyzing, macroeconomic coordinating role to the Finance Ministry.

In this idyllic mood, the resolution of a problem that cannot be stressed sufficiently appears to get lost: Within the social security system, the governing boards have become untenable; this, in turn, has grown into a political prestige issue, and as such is being dealt with as a taboo by that trade union group which, as a result of its influence on social security governing boards, is capable of exerting unparalleled pressure. This is so even as management anomalies at social security are revealed one after another. These anomalies can be traced sometimes to the conscious acquisition of advantages, and at other times to simple incompetence. As one could accurately predict, the social security funds have already exceeded their annual budgets, which were planned at the low side from the outset, (and then forced upon them). Thus it is apparent that by the end of the year they will have a deficit of between Ft60-70 billion. Although in the present favorable situation of the state household, an amount like this would not fatally upset the consolidated balance, the amount is too high to be accumulated from the continued existence of the old structure and not as a natural excess expenditure resulting from the transformation. Also considering this social security deficit, it is likely that the ratio of the 1996 consolidated deficit of the state household, as compared to the GDP, will come close—even though at the upper end—to the 4 percent agreed to by the IMF. Whether the 3-percent deficit, also agreed upon with the IMF, can be achieved next year is highly questionable, because, above all, the government intends to fill the hole created as a natural consequence of the presently approved pension reform by borrowing Ft70 billion. Several international organizations have already offered their support in this regard, according to the finance minister. With due regard to reform, the IMF would probably relax its stringency regarding the ratio of the state household deficit as part of the GDP, because under

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these conditions the index figure at issue hardly fits the agreed-upon 3 percent.

The real question marks come up not so much around the 1996 figures, but rather around the overall 1997 macroeconomic figures, and this applies not only to the state household deficit, but to all the other indexes, too. The prognoses of even the most sophisticated economic research institutes use a very high margin of error when they provide indexes that are indispensable to planning, and thus it is no wonder that planners at the Finance Ministry are also confused when they prepare next year's budget. Other than that, never before have they progressed this well with budget preparation, according to Finance Ministry deputy state secretary Csaba Laszlo, the official in charge of budgeting. He added that next year's budget guidelines will probably be presented to the government by the end of May. The real problems start when they try to estimate the GDP increment, the anticipated inflation rate and interest rate trends. (Calculations of the GDP increment for this year vary: The Finance Ministry estimates 3 percent; the Economic Research Institute 1 percent; Kopint-Datorg between 2 and 2.5 percent; THE ECONOMIST 3 percent.) All these figures depend fundamentally on changes taking place in the large distribution systems of course, if such changes take place at all. Further, it remains an open question as to how much of the privatization revenues they would use in the end to partly discharge noninterest-bearing loans on record at the MNB. By definition, paying off these loans does not create interest savings in the central budget, but it does at the MNB, and thus payoff would improve the MNB's position.

Questions mount in the mind of anyone inquiring about macroprocesses: What is going to provide the financial backing for pay raises to be granted to public officials and public employees; is it going to be possible to reduce the tax and contribution rates while ensuring that the broadening of the tax base to be pursued in parallel with the rate reductions provides the needed revenues; what is going to replace the estimated minimum shortfall of Ft60 billion created by the abolition of supplemental customs duties next year; and what is going to happen to the incorrectly bargained agricultural subsidies, as contained in the GATT agreement? One could go on with these questions—the answers come slowly but surely. Still on time, the government is now reaching for the last real reserve: institutional reforms. Although the economic history of past years indicates that it is possible to more or less reassemble the disintegrating macroeconomic numerical system only at the price of very tough constraints, constraints alone no longer provide resources for the economy. Bokros had no other means than restriction, and the passage of time has proved him to be correct. But the macrofigures temporarily put together in the package named after him could once again fall into pieces. The trends are still fragile.

[Box, p 18]

Fuel for Growth

Between 1996 and the year 2000 the GDP increases 4.2 percent annually, at real value [The ECONOMIST Intelligence Unit Country Forecast, 1st quarter 1996].

- The slower than planned growth of the German economy will not retard the Hungarian economy, even though 28.7 percent of Hungarian exports was destined to Germany in 1995, while 23.5 percent of the imports originated from Germany.
- As a result of previous reforms, the independent elements of growth have gained strength: industrial productivity has increased by 11 percent last year, and as a result of accelerated privatization, 75 percent of the total output of the Hungarian economy has been produced by the private sector, and this also exerts a beneficial effect on efficiency.
- Due to privatization in excess of planned levels, the volume of foreign operating capital invested in Hungary remains at a high level, because the new owners complete their investment plans and obligations at least in part.
- The end of the South-Slav war and of the UN embargo against Serbia and Montenegro—which, in the past three and a half years has caused a revenue shortfall of about $2.2 billion in Hungary—offers substantial commercial and investment opportunities in the future. Trade may increase from last year's $50 million to between $300 million and $400 million.
- A possible upswing of the Russian economy in 1996 could be determinative.
- International tourism, which provides almost 9 percent of the GDP, increased by 18 percent last year, and a similar increase is also conceivable this year.
- Investments by the commercial sector have increased by 4-5 percent despite the fact that the investment rate shows only minimum growth due to the freeze on public investments. This year, the commercial sector is going to produce at least a similar rate of investment.

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B-H: Izetbegovic Interviewed on Relations With FRY

AU2207202196 Belgrade NASA BORBA in Serbo-Croatian 19 Jul 96 pp 1, 3

[Interview with Alija Izetbegovic, president of Bosnia-Herzegovina, by Izabela Kisic in Sarajevo on 16 July: "FRY Should Stop Setting Conditions"]

[FBIS Translated Text] *"If it were for the agreements and promises, diplomatic relations between Bosnia-Herzegovina and the FRY would already have been established. It is not up to us, we are not setting any conditions. But the FRY has said that diplomatic relations could be established only if the Republic of Bosnia-Herzegovina withdraws its charges against the FRY with the International Court of Justice in The Hague and recognizes the continuity of the FRY in relation to the former SFRY [Socialist Federal Republic of Yugoslavia]. We feel that the FRY should stop setting conditions," Alija Izetbegovic, president of Bosnia-Herzegovina, said exclusively for NASA BORBA.*

Responding to a question on his expectations of the September elections in Bosnia-Herzegovina, President Izetbegovic said: "The SDS [Serb Democratic Party] will retain its leading role because of its monopolistic position and its methods of force and intimidation, but Karadzic's monolith will be seriously undermined."

The Bosnian president's message to Serbs who want to return to their homes on the territories under control is: "Those who did not commit crimes will be safe. Those who committed crimes will be tried and punished."

[Kisic] What do you expect from the September elections?

[Izetbegovic] I expect a somewhat different political configuration in Bosnia-Herzegovina. On the part under the control of the regime in Pale, new parties have emerged for the first time, and although they are exclusively Serb parties, that still represents a change that should not be underestimated. From that melee, a new strong party could emerge.

The Serb Democratic Party will retain its leading role, thanks to its monopolistic position and its methods of force and intimidation, but Karadzic's monolith will be seriously undermined. On the territory controlled by the HVO [Croatian Defense Council], there will be no significant changes, because there is no freedom for Croatian parties either, unless the Church steps in directly and supports the process of democratization, which indeed would be an act of "godliness."

In this third area, controlled by the legal authorities of Bosnia-Herzegovina, all the 15 existing parties belong to the center, some are a little to the right and some a little to the left. The center right will win, that is, the SDA [Party of Democratic Action], because only this party knows what it wants in Bosnia and in the region. As a matter of fact, it was the only party that played a relevant role during the last six years, during these six most critical years in the entire history of Bosnia.

[Kisic] Are the September elections premature and if so, why?

[Izetbegovic] The real question is not whether they are premature or not. The real question concerns the conditions for fair and free elections, which have not been fulfilled yet and which would not be fulfilled even if the deadline were to be extended, provided of course that nothing is done, and nothing would be done. The situation would be frozen. This way, the elections are opening up a process, things are moving and changing. Karadzic's political monolith is being broken, a monolith that causes harm to Bosnia. That is why I am in favor of the elections in spite of everything.

[Kisic] What kind of access to the media will all the parties whose candidates are running in the elections in the Federation of Bosnia-Herzegovina have?

[Izetbegovic] As far as Radio-Television of Bosnia-Herzegovina [RTV of BH] is concerned, all the parties that have been registered with the OSCE, I think there are around 20, will be presented equally. The RTV of BH has made and published a program of their presentation during the election campaign. On the territory controlled by the legal authorities of Bosnia-Herzegovina, there are nine more smaller independent television stations and around 40 independent radio stations. I think that parties on the territories controlled by the Serbs and the HVO have a lot of difficulties in that respect.

[Kisic] What is your message to the Serbs who would like to return to the areas controlled by the Federation? Can they feel safe?

[Izetbegovic] My message is very simple: Those who did not commit crimes will be safe. Those who committed crimes will be tried and punished. There were many victims in Bosnia, and that means that there were many criminals. That is how things are, regrettably.

[Kisic] Are many Serbs returning to the area controlled by the Federation?

[Izetbegovic] I do not have reliable information, but many Serbs have returned. Unfortunately, that is a one-way process only. The Bosniaks are not returning to their homes at all because the Pale regime does not

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allow it, and that fact can completely block the entire process. That is probably Karadzic's aim.

[Kisic] How safe is it to move around in the area controlled by the Federation?

[Izetbegovic] Almost completely safe, you can go and see for yourself.

[Kisic] When will diplomatic relations between Bosnia-Herzegovina and the Federal Republic of Yugoslavia be established? Why has the Paris agreement on mutual recognition of Bosnia-Herzegovina and the FRY not yet been implemented?

[Izetbegovic] That is a long story. If it were for the agreements and promises, diplomatic relations between Bosnia-Herzegovina and the would already have been established. It is not up to us, we are not setting any conditions. But the FRY has said that diplomatic relations can be established only if the Republic of Bosnia-Herzegovina withdraws its charges against the FRY with the International Court of Justice in The Hague and recognizes the continuity of the FRY in relation to the former SFRY. We feel that the FRY should stop setting conditions.

You know that the International Court of Justice in The Hague has recently agreed to accept our appeal, and reject the FRY's objections. Let the court do its job.

As for continuity in relation to the former SFRY, our position is that all the five newly created states are equal successors to the former common state. That is the position of the international community, I think without exception.

In the meantime, we have proposed that the protection of the interests of the state and individual citizens be provided through the services of a third country, that is, through any of the embassies in Sarajevo and Belgrade. I believe that we will soon reach an agreement on that.

[Box, p 3]

"Ask the Post Office About the First 'Hello'"

Responding to a question regarding when telephone communications would be established between Bosnia-Herzegovina and the FRY, Izetbegovic said that as far as he knew, a team of telephone technicians from Yugoslavia had been in Sarajevo in late June or early July. It was agreed to establish semiautomatic international telephone services between Belgrade and Sarajevo, since telephone communications between Sarajevo and Belgrade were functional.

It was also agreed to initiate the establishment of direct international communications between Belgrade and Sarajevo, with 30 plus 30 telephone lines in the first stage. The remaining details are to be worked out subsequently and the Sarajevo-Stolice-Cer-Vinogradi-Beograd track was chosen as the route for the transmission lines, just like it was before the war. For any further information, you must ask the post office, Izetbegovic concluded.

B-H: Izetbegovic Letter to EU Assails Mostar Croats

LD2207193996 Sarajevo Televizija Bosne i Hercegovine in Serbo-Croatian 1830 GMT 22 Jul 96

[FBIS Translated Text] In connection with the announcement by the Mostar Croatian Democratic Union [HDZ] that its deputies will not attend the constituent session of the city council, expected to be held tomorrow, Alija Izetbegovic, president of the Bosnia-Herzegovina Presidency, has sent a letter to Irish Foreign Minister Dick Spring, chairman of the European Union [EU] Council of Ministers. The letter reads:

Very esteemed Mr. Spring, elections were held in Mostar under EU supervision, and the final results were announced by Mr. Casado, the EU administrator. On the basis of these results, the EU administrator convened a constituent session of the elected Mostar city council for Tuesday 23 July 1996.

We were told today that HDZ deputies will not attend the session. This blocks the entire process of the democratic settlement of the crisis in Mostar. It also blocks your mission in Mostar, creating a dangerous precedent for the September elections which could affect post-election developments throughout Bosnia-Herzegovina.

The HDZ has started a practice of not recognizing results which are not to its liking. As you know, Mostar is not an isolated case. This party has also started a practice of not recognizing decisions by EU mediators, if these are not to its liking.

May I ask you, Mr. President, to tell the HDZ that such a practice is not acceptable in Europe. May I also ask you to use your influence to ensure that such obstacles are removed and the democratic process in Mostar resumed.

With my deepest respects, [signed] Alija Izetbegovic.

B-H: Muratovic: OSCE Negligent About Refugees' Voting

AU2107150896 Sarajevo LJILJAN in Serbo-Croatian 17 Jul 96 pp 6-7

[Interview with Hasan Muratovic, prime minister of Bosnia-Herzegovina, by Adis Hasakovic, in Bonn, at SDA preelection consultations; date not given: "We Will

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Ask the German Government To Give DM10,000 to Every Exiled Person Before They Return"]

[FBIS Translated Text] [Hasakovic] Mr. Prime Minister, tell us something about the meaning of this meeting.

[Muratovic] This meeting, in the first place, is educational in character, that means, it is to prepare the people for conducting the election campaign. Since all the people who are very well-informed in the party are here, and the people who have formed the entire strategy for the elections and I, as one of the candidates, are also here, it is our intention to explain, in the first place, the situation in Bosnia-Herzegovina, how they should transfer that to the people here, and to give them the directions on how to conduct the campaign, so that as many people as possible, and if possible everyone, should vote [sentence as published].

[Hasakovic] In your opinion, what would be the main difficulties concerning the elections?

[Muratovic] The biggest difficulties are in the system itself, since the people must register themselves. A very short deadline has been set. People cannot think about that. Someone should remind them to do that. Registration forms should be brought to them, to their working places or homes. We are not able to do that. So, people will have to go somewhere and pick that up, either to the Islamic community, to the mosque, to clubs or to the embassy or the consular department.

[Hasakovic] But, the OSCE [Organization for Security and Cooperation in Europe], which organizes these elections, has left them a very short time.

[Muratovic] OSCE has made wrong evaluations. It left it up to people to telephone them. However, if you calculate on how many telephones they can call, and how many people there are, several years would be necessary for all of them to call, and yet they must all telephone in seven days [sentence as published].

[Hasakovic] There are 350,000 people with the right to vote, who currently live in the Federal Republic of Germany.

[Muratovic] Yes, and if you take only three minutes [for each person], then you can calculate how much time would be needed.

[Hasakovic] It seems that OSCE has a rather nonchalant attitude toward the very act of the organization of elections. Here it was possible to hear information which leads to that conclusion. For example, they determined only 15 people should organize all that, and our experts calculate that not even 150 people would be enough; then, it would be considered a success if 50,000, or maybe up to 100,000 voters voted—whereas it is our goal that all those who have the right to vote should go to the elections. How do you comment on the attitude of OSCE toward the elections?

[Muratovic] They have not given a lot of significance to the people abroad. They have devoted more attention to those at home. The question is where their interest lies—to what extent do they really want every person from abroad to vote? Therefore we must get organized, and we cannot leave that up to them. If 10,000 people must organize it, then we as a powerful party should get organized and thus prove how strong the party is, and how much we will invest for everyone to vote.

[Hasakovic] What is the relation between the very act of voting and the act of return, that is, of the repatriation of exiled people from Bosnia-Herzegovina?

[Muratovic] Those two things have nothing to do with each other, and we have said that several times. The refugee status has nothing to do with voting. That is the right of everybody. We believe that has been made clear and there will be no consequences, unlike it was explained earlier, that those who vote are no longer refugees and so on [sentence as published].

[Hasakovic] The federal minister of internal affairs of Germany, Mr. Manfred Kanther, recently claimed that the Government of Bosnia-Herzegovina asked too many concessions concerning the return of refugees from this country.

[Muratovic] I have read some of those articles which were very incorrectly written. Somebody made some calculations and concluded from my request that I asked for 4 billion German marks [DM] for the return of refugees, and so on. None of that is true. But it is true that we have asked and will go on asking every country to help with the return of refugees, every host country. We calculated that DM10-12,000 per family member would be necessary to ensure minimum living conditions for them when they return. We will insist on that figure. That is much less than every country will spend on refugees if it keeps them. That is maybe the sum of their support costs for one year. It can already be seen that they will prolong the stay for refugees for another year. This year we could have brought back at least 150,000 refugees from Germany if they had agreed to give that money, DM10-12,000 per refugee, for the reparation the destroyed apartments and houses and starting production, so that people can earn their living right away.

[Hasakovic] What is the attitude of the German Government on the issue of compensation?

[Muratovic] Unfortunately we do not negotiate with the Federal Government on that issue. The refugees from

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Bosnia-Herzegovina are sustained by the states, i.e., by the provinces, so the Federal Government cannot do anything without the compliance of those provinces. And, what is worse, all provinces do not think the same. Therefore, we have now started making separate contracts. One of such contracts will soon be concluded, and it regards the Bihac region, so I hope that by fall we will bring at least 20,000 refugees to that region. We intend to propose that the EU also support the refugees and help them financially, and we expect to get full understanding from them. Unfortunately, it seems that they will agree more easily to pay through the EU than through their own countries' budgets. So we expect to see some common attitudes for all EU countries, but we will not agree to bring back the refugees if we do not have appropriate accommodation.

[Hasakovic] In your opinion, when should the massive return of exiled people start, and when should it end?

[Muratovic] There will be no massive return, so to speak. Certain projects will be formed. For example, we now bring back the refugees from Turkey, because we have made such an arrangement and will bring back all the refugees from Turkey; we have been bringing back a plane of refugees every other day. I believe we will realize the first project with Germany and one project with Switzerland. I do not expect there to be any massive returns from Germany until the end of this year. But, on the other hand, I am certain it will start next spring and the number will amount to 100-150,000 refugees.

[Hasakovic] Have there been any bilateral talks about that topic these days?

[Muratovic] We have meetings constantly. In that way we constantly bring our attitudes closer to each other. Some 10 days ago we had a meeting on the ministerial level, where we talked about that specific project of return, on which we have still made no definite agreement. But, as you can see, they always prolong the stay for our refugees, and we are certain they will get tired of that and the German people will be generous when it comes to the return of refugees, just as they were when they received them. But we cannot bring back the refugees, regardless of how much we try, without economic help.

[Hasakovic] Our citizens who are not from the territory of the Federation of Bosnia-Herzegovina have no right to pass through Croatia. What will the Government of Bosnia-Herzegovina undertake for this very important and unpleasant problem to be overcome?

[Muratovic] The agreement with Croatia refers to the citizens of the Federation. It is the right of every country to determine whom they want to let into their country, and whom not, but when we saw what kind of problems that had created we made an additional agreement with Germany, Austria, Switzerland, Slovenia, and Croatia, by which all refugees have the right to transit without any problems, with an announcement and a document which confirms that they are refugees, and with which they can pass, regardless of where they come from. It turned out that Croats have started complicating things, and now we have made another agreement according to which all those who have a residence visa for Germany, on any basis, have the right to pass through Croatia, regardless of which entity they come from, and that an unlimited number of times, but with a limited stay of 48 hours. That means that they do not have the same rights as those from the Federation, but they can pass freely. We should sign that agreement in Dubrovnik soon. I am sure that we will sign it and, thus, will solve the problem.

B-H: Sarajevo Set To Receive 2d Weapons Delivery

AU2307095296 Paris AFP in English 0938 GMT 23 Jul 96

[FBIS Transcribed Text] Sarajevo, July 23 (AFP)—The armed forces of Bosnia's Moslem-Croat Federation were set to receive a second delivery of arms as part of the US-sponsored "Equip and Train" programme Tuesday, western military officials said here.

Late Monday under close scrutiny of French Gendarmes three containers of weapons for the federation were unloaded from an Antonov 76 cargo plane which had flown in from Istanbul and taken to a Bosnian army storage site at Visoko, north of Sarajevo.

Military officials said Monday's consignment consisted of several hundred sub-machine guns. On Tuesday, sources said at least one hundred "short-range rockets" were due in the Bosnian capital.

Last week, Bosnia's Moslem-Croat Federation signed a contract with a US firm to train its forces as part of a programme designed to make them more of an effective deterrence to any attack by Bosnian Serb forces.

Under the programme, the United States is to supply some 100 million dollars of military equipment before the end of the year. Other countries will contribute up to a further 300 million dollars in military hardware or cash.

Under terms agreed in Bosnia's Dayton peace accords, all shipments of armaments into the country must be cleared by the NATO-led peace Implementation Force (IFOR).

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European countries have been critical of the US-sponsored plan which Washington has argued will create a military balance in the country and enhance stability in the region.

France and Britain in particular have expressed their fear that equipping the shaky Moslem-Croat Federation is more likely to lead to renewed bloodshed after IFOR leaves Bosnia-Hercegovina at the end of the year.

French Defence Minister Charles Millon said in Sarajevo earlier this month there were "sufficient numbers of arms" already in Bosnia, adding that "an armaments programme will threaten the military balance in the region."

When fully formed, the joint federal army will comprise 40,000 Moslems from the Moslem-led Bosnian army and 15,000 members of the Bosnian Croat HVO.

The go-ahead for the Equip and Train programme was given earlier this month after the Moslem-Croat federal authorities adopted a long-delayed defence law on forming the joint federal army.

B-H: Bosnian Croats Free Jablanica Police Chief

AU2207202396 Paris AFP in English 1900 GMT 22 Jul 96

[FBIS Transcribed Text] Sarajevo, July 22 (AFP)—A Moslem police chief arrested by Bosnian Croat hardliners in west Mostar has been freed after intense UN pressure, a NATO official said Monday. Emin Zebic was freed around midday by Bosnian Croat police after coming under "a hell of a lot of pressure from the UN," a spokesman for the NATO-led peace Implementation Force (IFOR) said. Zebic, the police chief for Jablanica, a Moslem town 50 kilometres (30 miles) southwest of Sarajevo was detained last Thursday by police in west Mostar.

He had turned up for a meeting with his Croat counterparts on freedom of movement in the divided city and surrounding areas. But despite the presence of UN police monitors, who were threatened and jostled by the Croats, Zebic was taken into custody. UN officials said the war crimes allegations made against the police chief by the Croats were unsubstantiated and called the incident "despicable."

Zebic, interviewed on Bosnian state television, said he had been well treated while in detention and added a west Mostar court decision to detain him for 30 days had been quashed.

Rancour between Moslems and Croats still remains in Bosnia more than two years after bitter clashes between the two communities ended in 1994.

B-H: SDA Assails Zubak Stance on Mostar Election Results

LD2207203196 Sarajevo Televizija Bosne i Hercegovine in Serbo-Croatian 1830 GMT 22 Jul 96

[FBIS Translated Excerpt] Federation President Zubak's statement, in which he effectively refuses to recognize the results of the Mostar elections, is unacceptable, the head office of the Party of Democratic Action [SDA] has said in a statement issued in Sarajevo. The elections were conducted in line with the European Union's legal regulations and the validity of the elections can be determined only by EU institutions.

It is legally and politically intolerable to conduct negotiations which are not based on the election results. According to the SDA, this would annul the two year-long EU mandate in Mostar. Negotiations can only be conducted about the allocation of posts within the future city administration, the SDA statement says. [passage omitted]

B-H: Mostar Council Elects President Despite Croat Absence

AU2307115496 Paris AFP in English 1142 GMT 23 Jul 96

[By Alexandra Haramina]

[FBIS Transcribed Excerpt] Mostar, Bosnia-Herzegovina, July 23 (AFP)—Bosnian Croats failed to turn up at the first session of the Mostar city council Tuesday, creating what the Moslem authorities said was a dangerous precedent for Bosnia's September polls.

The city council session went ahead with the 21 representatives from the mainly-Moslem coalition which won the June 30 polls, but without the 16 representatives of the hardline Bosnian Croat party, the HDZ [Croatian Democratic Union].

Council members decided not to discuss the election of a single mayor for Mostar, but elected Hamdija Jahic, the head of the mainly-Moslem Democratic Action Party [SDA], as council president.

The HDZ had threatened a boycott over what it said were electoral irregularities during the polls, the first in Bosnia since the war.

B-H: Commentary Examines U.S., Iranian Interests in Bosnia

AU1407173596 Belgrade VECERNJE NOVOSTI in Serbo-Croatian 29 Jun 96 p 2

[Commentary by Milenko Predragovic: "Hezbollah of American Origin"]

[FBIS Translated Text] It has been clear from early on that the Americans had their special business in Bosnia.

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Nevertheless, the bills that leading officials in the U.S. Administration thought had been written off now have to be paid. After a serious attack agianst American soldiers in Riyadh, Saudi Arabia, the Bosnian scores must now, however, be paid with high interest rates.

Geostrategically, the Americans are not interested in any kind of elections, let alone those in Mostar. They are interested in establishing their military infrastructure everywhere in the world, Bosnia included. However, the death of 20 and wounding of 100 American soldiers in Riyadh poses the question: What is it that the Americans are doing, in conjunction with Iran and its Hezbollah, in the Balkans? Tehran has been supplying the Bosnian Muslims and Croats with weapons, mostly from German depots, but with the obvious mediating role of the United States.

First, more than 8,700 Iranian mujahidin arrived in Bosnia with the knowledge of the Americans. Around 340 of them have left Bosnia, while the others are still in Bosnia, with the knowledge of American intelligence, and are mostly located around Mostar. That is why IFOR started to secure the election posts with around 2,500 of its soldiers, even though there is no real threat from the mujahidin or the Hezbollah, because the elections are being conducted under the auspices of the European Union and not America.

Second, in the operation of importing arms to the Muslims and Croats, the U.S. Administration had collaborated with the Iranian Embassy in Zagreb, which well-informed circles claim is the main headquarters for subversive activity and terrorism in Europe. After the catastrophe in Riyadh, the Americans gave an ultimatum to Alija Izetbegovic to expel all the mujahidin and Hezbollah from Bosnia. This demand is understandable, because it has long been a public secret that the Iranian soldiers in Bosnia would assail American interests at the earliest opportunity.

American geostrategic intentions to wedge in wherever possible have been repudiated in Saudi Arabia, and manipulating with the interests of the Muslims in Bosnia will sooner or later lead to an open Muslim-American conflict. Bill Clinton's administration has succeeded in getting promises from Alija Izetbegovic that he will expel the Iranian army, but in Zagreb there are still no signs that the ruling regime is ready to break off diplomatic relations with Iran and remove the diplomatic mission accused of undiplomatic affairs. Unlike Alija Izetbegovic, who forgets quickly, the Croatians have good economic cooperation as well as help from Iran.

The Americans have themselves indirectly installed the Hezbollah and mujahidin troops in the Balkans. Their policy of double standards has now flunked, and instead of peace initiatives, there are rifts and doubts by the Muslims of the world concerning American sincerity in Bosnia. In the upcoming elections in America, Bill Clinton will not be troubled by the present situation of neither peace nor war between primarily the Croats and Muslims, but any eventual attack on American troops in Bosnia could hurt his chances very much.

B-H: Justice Ministry Official Discusses ICJ Case

AU1507104996 Belgrade NASA BORBA in Serbo-Croatian 8 Jul 96 p 11

[Interview with Sead Hodzic, secretary of the Bosnia-Herzegovina Justice Ministry, by Milanka Saponja in Sarajevo; date not given]

[FBIS Translated Text] "The state of Bosnia-Herzegovina will ask the FRY to pay war damages on three counts: first, based on the accusation of genocide at the International Court of Justice [ICJ] in The Hague; then through the process of succession; and finally on the basis of special demands," said Sead Hodzic, secretary of the Bosnia-Herzegovina Ministry of Justice and general administration, in an interview with NASA BORBA not long ago in Sarajevo. He added that "as part of the 'special demands,' we are including, for instance, the demand for the shift of industrial and other production capabilities from Bosnia-Herzegovina to the FRY, and every other demand made by our citizens for damages received during the war."

[Saponja] What is at issue in the law suit at the ICJ in The Hague?

[Hodzic] Bosnia-Herzegovina has sued the FRY for genocide. The process is still in the preparatory charges phase, so the main hearing has not been held yet. Two months ago there was a hearing on the preliminary comments of the FRY on the allegations made in the Bosnia-Herzegovina suit. The FRY is disputing the authority of the ICJ and is stating that it did not commit an act of aggression or genocide in Bosnia-Herzegovina but that it was a civil war. The second Yugoslav comment was that Bosnia-Herzegovina is not a signatory of the convention on genocide, which is the legal basis for the law suit. There are other comments as well. Bosnia-Herzegovina has answered these preliminary objections. First, an act of aggression was committed in Bosnia-Herzegovina and, in connection with this, genocide. When Bosnia-Herzegovina became an internationally recognized state—that is, 6 April 1992—it became as such a signatory to the mentioned convention. Following those preliminary objections and responses, we are now expecting a final decision from the court in The Hague.

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[Saponja] When will it be made?

[Hodzic] It is difficult to give a precise date. Immediately after the preliminary procedures, it was said the decision would be issued sometime this fall. The procedures at the ICJ are very complex, so I think it would be more realistic to expect it by the end of the year or the beginning of next year.

Bosnia-Herzegovina's main demand is that the court establish the fact that the FRY was responsible for organizing the genocide in Bosnia-Herzegovina. The second demand is that a verdict be reached on compensation for all the damage done in connection with this. This demand is on behalf of every citizen of Bosnia-Herzegovina who has suffered damage. Individuals cannot go to the ICJ, but the state can do so on their behalf, as is the case here.

[Saponja] Who prepared the suit?

[Hodzic] It was prepared by the coordinator, that is, the representative of the state of Bosnia-Herzegovina, former Foreign Minister Muhamed Sacirbegovic, who is a lawyer, as well as by a respectable American law firm. The second important issue in Bosnia-Herzegovina is the work to collect data on war crimes.

[Saponja] How is Bosnia-Herzegovina collecting this material?

[Hodzic] At the beginning of the aggression, the Presidency of Bosnia-Herzegovina decided to form a state commission to gather evidence and establish facts regarding war crimes. This commission is gathering material in Bosnia-Herzegovina even today. There is now a large collection of data.... The institute for the investigation of crimes against humanity and international law has also been founded. As opposed to the commission, which chiefly deals with gathering material, the institute's primary task is to process the gathered material evidence in an expert and scientific manner. It also publishes a periodic publication called "Crime," in which the results of the research so far has been published.

[Saponja] How many cases have been processed?

[Hodzic] I cannot tell you the exact number, but this commission played a fundamental part in everything that was given to the Hague Tribunal. Apart from these two institutions, the material is also dealt with by the legislative bodies and the bodies of the Interior Ministry of Bosnia-Herzegovina, which also keep the basic documentation.

[Saponja] Will Bosnia-Herzegovina recognize the continuity of Yugoslavia?

[Hodzic] The issue of continuity is not being brought up today because the legal issues have already been addressed. The FRY alone cannot have the right of continuity. No one state that emerged from the breakup of the SFRY [Socialist Federative Republic of Yugoslavia] is the exclusive successor. All the states formed from the former state are equal successors in every respect: Slovenia, Croatia, Bosnia-Herzegovina, FYROM [The Former Yugoslav Republic of Macedonia—FYROM], and the FRY. Therefore, the continuity of the FRY does not exist nor can it be recognized. A meeting was held in Sarajevo recently regarding the succession issue. Four successor states—Bosnia-Herzegovina, Slovenia, Croatia, and FYROM—all had identical opinions on the important issues. The basic fact is that the former state ceased to exist, and at that moment a new legal situation was created. The FRY, however, insists on the theory of succession. What happened here was not secession but disintegration, and for such situations we have international agreements and legal solutions in the convention on the succession of states. We also have common international law. According to that law, the issue of continuity for Bosnia-Herzegovina does not at all arise from a legal point of view. On the contrary, Bosnia-Herzegovina is proceeding in accordance with the decisions of the Badinter Commission and the UN Security Council.

[Saponja] How would you comment on Yugoslavia's insistence on continuity?

[Hodzic] The FRY is doing this for a number of reasons. The basic one is economic, but it is not the only reason. Yugoslavia has more than 90 percent of the property of the SFRY. Therefore, its factual position in relation to all the new states is significantly more convenient, since it has at its disposal the economic strength of the former state. Another reason is also very important. If the legal basis for the cessation of the former state's existence is its disintegration—which it is—then the legal consequences are analogous to this. It is thus striving to avoid paying for war damages. That is why Yugoslavia is insisting on succession because that way it can justify a number of its aggressive actions. Those are two of the key reasons why the FRY is insisting on this theory. However, a number of proceedings against Yugoslavia bear witness the fact that it is not so. It has been excluded from the UN General Assembly, a fact which demonstrates that the United Nations is not taking the succession theory into consideration. Moreover, Yugoslavia has been excluded from the OSCE. All this is in accordance with recommendations from the Badinter Commission, which are based on the respective sources of international public law.

[Saponja] Is there any resistance among individual states to linking the issue of war damages to the issue of succession?

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[Hodzic] There is. The positions of the successor countries differ because the legal position is one thing, and the factual one another. Since this is an issue of the legal interests of each separate country, it is not illogical that they are working toward their own interests. However, as I have said, the four countries are in full agreement on the basic issues, primarily regarding the legal basis of succession and the division of property.

[Saponja] Refugees are interested in what will happen to the property they have left behind in Bosnia-Herzegovina and in how then can get Bosnian citizenship?

[Hodzic] We have passed the law on citizenship, according to which all citizens who were born in Bosnia-Herzegovina have the right to citizenship. That is indisputable. This right cannot be limited or withdrawn. A procedure is being developed to realize this right, just like in every other country.

[Saponja] Does dual citizenship exist?

[Hodzic] Dual citizenship is possible on the condition that there is an international agreement between Bosnia-Herzegovina and the other state.

[Saponja] That means it is based on reciprocity?

[Hodzic] It could be reciprocity, but it does not need to be. It is only important that it be regulated by an international agreement. However, one must keep in mind that citizenship in the entities is regulated by the Dayton agreement and is built into the Bosnia-Herzegovina constitution. According to this, citizens of Bosnia-Herzegovina will have, in addition to Bosnian citizenship, citizenship in the entity. In relation to other countries, only the Bosnian citizenship will be valid. The constitution also foresees that a revision of the granting of citizenship to citizens up until 6 April 1992 be made. After the establishment of the institutions of Bosnia-Herzegovina, that is, after the elections, there will certainly be a move to pass appropriate laws to regulate these issues both on the territory of Bosnia-Herzegovina as well as in the entities. Moreover, the law also foresees the possibility of attaining citizenship through naturalization.

[Saponja] Do you know what the controversial points are in setting up diplomatic relations between Bosnia-Herzegovina and the FRY?

[Hodzic] Under the Dayton agreement, the FRY recognized Bosnia-Herzegovina, and Bosnia-Herzegovina recognized the FRY. I see no reason why diplomatic relations should not be established as soon as possible. There are a number of reasons why they should be established quickly, primarily in order to realize basic human rights. Through the Justice Ministry, we can best see which problems exist. It is necessary to expedite the issuance of common identity papers and to address issues of basic subsistence. For these reasons, Bosnia-Herzegovina has an objective interest in establishing diplomatic relations as soon as possible. Moreover, it is also an obligation under the Dayton agreement.

The president of Serbia must explain to the Yugoslav public why these relations are not being established. He must also explain it to the citizens of Bosnia-Herzegovina, at least to the citizens of Bosnia-Herzegovina who are on the territory of another country. As far as I know, the FRY is making the establishment of diplomatic relations conditional upon the withdrawal of the law suit from the ICJ in The Hague. Such a condition is simply not acceptable for Bosnia-Herzegovina. It is not even being considered. Diplomatic relations are not a matter of the withdrawal of the suit or of anything else. They are a matter of communication between two countries. That is why I think it is inevitable that the FRY do what it is obliged to do according to the agreement.

[Box, p 11]

Private Property Is Inviolable

[Saponja] What will happen to the property of refugees?

[Hodzic] Bosnia-Herzegovina maintains the position that private property is inviolable. Anyone who owns real estate or other possessions is entitled to have them returned or, if the item has been destroyed, to receive compensation. Such solutions are provided for in both the constitution of the Federation as well as in the constitution of Bosnia-Herzegovina. The factual situation, however, is something totally different. An unbelievable number of problems exist here, but they will have to be handled in accordance with this principle, which obliges all signatories of the peace agreement. A huge number of people were left without their possessions, and many were banished. When you look at it from this point of view—many problems will certainly arise in the realization of these rights. It is inevitable that the entities, that is, the state of Bosnia-Herzegovina and its institutions, will have to reach an agreement on the most important issues. The goal is absolute equality among all citizens and equal access to the bodies authorized to handle such problems.

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B-H: Investigators Unearth First Bodies at New Mass Grave Site

AU2207160796 Paris AFP in English 1539 GMT 22 Jun 96

[Report by Odd Andersen]

[FBIS Transcribed Text] Nova Kasaba, Bosnia-Herzegovina, July 22 (AFP)—UN war crimes investigators Monday unearthed the first of possibly hundreds of bodies of slain Moslem men at a new suspected mass grave site near the east Bosnian town of Srebrenica. The 20-strong team of investigators working with the International Criminal Tribunal for former Yugoslavia in The Hague on Monday exposed three bodies at the roadside site at Nova Kasaba, a few kilometres (miles) northwest of the former UN safe area of Srebrenica. One of the bodies was close to the surface, while the other two were buried deeper down. In May, investigators discovered six bodies at the site when cutting another test trench. The investigators began Monday photographing and documenting the site, a large field which team leader William Haglund said Monday appeared to contain two separate mass graves.

US officials suspect the field, a few metres off the road that runs through the village of Nova Kasaba, contains the remains of between 1,500 and 2,700 men killed after Srebrenica, once a Moslem-majority town, fell to Bosnian Serb forces in July last year. It is believed that between 3,000 and 8,000 Moslem men were killed by Serb forces in the days after Srebrenica fell.

Late last week, the site was surrounded with barbed wire and local security guards were hired to protect it from any possible interference. Security for the work of the investigators linked to the UN war crimes probes is being provided by troops from a nearby base of the NATO-led peace implementation force (IFOR).

On Monday, seven local-hired Serbs started clearing and digging, taking off weeds and grass and digging two test trenches in the form of a cross. After that, the UN team started digging test holes across the field, and probing it with long hollow sticks, raising them and sniffing at the composite that they drew to the surface.

"What we are going to do is to find out where the grave is and where it isn't," Haglund said. "We want to see how deep it is, how much overburden (topsoil) there is and how utilitarian the backhoe (mechanical digger) will be," he added.

Over the coming few days the team will start to excavate the site—the second to be tackled that is believed linked to the fall of Srebrenica. The team will be excavating some seven to eight sites this year in Bosnia and Croatia to aid the ICTY investigations of alleged war crimes carried out during the Yugoslavian wars.

Haglund's team Friday removed the last remains of 154 men from a first mass grave linked to Srebrenica, uncovered down the road from Nova Kasaba at Cerska, and took them to a hospital near the Moslem-held town of Tuzla for examination. Preliminary forensic examinations suggested that all those killed had been dead about one year, and indications, including the fact that their hands were wired behind their backs, suggested they were prisoners, Haglund said Friday.

Other graves on the list of the UN tribunal include one at Pilica, in northern Bosnia, and one at Ovcara, near Vukovar, in Croatia.

B-H: IFOR Prevents Muslim Attack on Serb Grave Exhumers

LD2207215096 Belgrade TANJUG in English 2128 GMT 22 Jul 96

[FBIS Transcribed Text] Sarajevo, July 22 (TANJUG)—IFOR [Implementation Force] troops prevented a mob of Muslims from attacking Serbs exhuming the graves of Serb soldiers killed in northern Bosnia, peace force representatives said Monday.

Swedish IFOR troops intervened Sunday when a mob of about 200 Muslims gathered in Stog, near Doboj, IFOR Spokesman Major Brett Boudreau said at a press conference in Sarajevo.

The Muslims were "hostile and armed with sticks and stones," Boudreau said and added that the intervention was necessary because the local Muslim-Croat Federation police had done very little to dissuade the angry mob.

Alexander Ivanko, spokesman of the U.N. police at whose request IFOR intervened told the press that "local police didn't try to control the crowd."

"Exhumations of battlefield graves began (Sunday) in the morning and 20 bodies were located when the process was interrupted at 2 p.m. by (...) 200 Muslims," he said [sentence as received].

The Serbs, including pathologists from Doboj, exhumed ten bodies. Another ten were found but were not moved due to the mob threat, Ivanko said.

In line with an earlier agreement, the Serbs escorted by U.N. police monitors crossed over into the territory of the Muslim-Croat Federation to exhume the graves.

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B-H: Serb Official Rules Out Reintegration of Bosnia

LD2207192596 Pale Srpska Televizija in Serbo-Croatian 1800 GMT 22 Jul 96

[FBIS Translated Excerpt] Serb Republic Prime Minister Gojko Klickovic had talks in Bijeljina today with representatives of commercial banks of the Serb Republic about economic development and the current political situation in the Serb Republic:

[Unidentified correspondent] Serb Republic Prime Minister Gojko Klickovic, department ministers, and directors of commercial banks of the Serb Republic held a meeting today to discuss priority tasks for defense, the power industry, and agriculture in the Serb Republic.

In the introductory part of his address, Klickovic informed those present about the economic and political situation, saying that in the upcoming period the Serbs had to be prepared for all sorts of possible surprises. Increasing pressure from the international community, attempts to make up for what was missed out in Dayton, and complications in connection with Brcko may usher in some unpredictable circumstances in which priority must be given to the defense of the 2,149-km-long border with the Muslim-Croat Federation and to the provision of fuel and food.

[Begin Klickovic recording] My personal opinion, which is also shared by my aides, is that these are not their last demands. All this boils down to one thing: to use political pressure to bring us to an economic position in which we will accept reintegration [of Bosnia-Herzegovina]—i.e., to drag us into some joint state, let us call it a union, or some creation that has not yet been heard of.

I personally think—and this is also the policy of the government, the opinion of the people, particularly of the SDS [Serb Democratic Party] that has fought for the Serb Republic—that we will never, never go ahead with reintegration. That is totally out of the question. The international community is just wasting its time in this respect. [end recording] [passage omitted]

B-H: Plavsic Sees Karadzic's Withdrawal as 'Rational Move'

AU2007184996 Belgrade BETA in Serbo-Croatian 0938 GMT 20 Jul 96

[FBIS Translated Text] Jagodina, 20 Jul (BETA)—Biljana Plavsic, acting president of the Serb Republic (RS), said today that the decision on Radovan Karadzic's withdrawal from political life is a "rational move which was not difficult for us to realize."

If the international community thought so far that with his presence in the political life of the RS, Karadzic "prevents reaching the crown of the Dayton agreement—the elections—then that reason was eliminated yesterday," Plavsic said in a statement for Jagodina Radio.

"The representatives of the international community in charge of implementing the Dayton agreement and the elections must be satisfied with this solution. Everything else, including The Hague, belongs to the sphere of negative emotions, and negative emotions can bring about a labyrinth from which there is no way out," she said.

Recalling her meeting yesterday with Robert Frowick, head of the OSCE [Organization for Security and Cooperation in Europe] for Bosnia-Herzegovina, Plavsic said that he will present to the world the objective facts "that we in the RS have created all the conditions for democratic elections and that our side cannot be accused—as the case has been so far—of being a brake on carrying out the elections."

She pointed out that the problem of Brcko is very complex, that the existence of the RS depends on it, that "there will be no concessions there, and that all the norms of international law should be consistently respected."

"However, if we solved the problem of the brake on the elections, I hope that we shall solve Brcko as well," Plavsic assessed.

Touching upon rumors about Lord [as received] Owen as the third arbitrator in the arbitration commission for Brcko, the acting president of the RS said that she had heard assessments of his professionalism and that the RS "has nothing against that proposal."

"We only ask that international law be respected regarding the arbitration," Biljana Plavsic concluded.

B-H: Reason for Koljevic's Failure To Sign Karadzic Resignation

AU2207192996 Belgrade DNEVNI TELEGRAF in Serbo-Croatian 22 Jul 96 p 1

[Unattributed report: "Koljevic Did Not Sign Due to Family Problems"]

[FBIS Translated Text] Referring to Radovan Karadzic's resignation, Biljana Plavsic, acting president of the Serb Republic, said that "what happened had to happen."

In an interview on a program called the "Sign of the Times," broadcast on Radio Kragujevac, Biljana Plavsic

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said cooperation between the international community and the Serb Republic was very good.

"We do not want to risk anything that would threaten the participation of the Serb Republic in the elections in September," Plavsic said.

When a reporter asked her why Nikola Koljevic, vice president of the Serb Republic, did not sign the text of Karadzic's resignation, she replied that Koljevic was not present in Pale due to family problems.

B-H: Serb Acting President Comments on Brcko Arbitration

LD2307150796 Belgrade SRNA in Serbo-Croatian 1355 GMT 23 Jul 96

[FBIS Translated Text] Brcko, 23 Jul (SRNA)—Professor Biljana Plavsic, acting president of the Serb Republic, said during today's visit to Brcko that "the consistent implementation of the Dayton agreement will guarantee that this town remains in the Serb Republic."

"Movement between the eastern and western part of the Serb Republic along a 20 km-wide corridor was not secured at Dayton. The status quo was preserved; although, the situation was not resolved. The Dayton agreement stipulates that part of the multiethnic boundary line in the Brcko region is in dispute. In other words, the solution lies either in maintaining the status quo or in acceding to our request to extend the corridor to 20 km," Plavsic explained.

In talks with representatives of the municipal authorities, Plavsic insisted on "the urgent resolution of the problem of refugees and soldiers."

Recalling the experiences of the past and the time when international law, justice, and morals were not observed, Plavsic said, "Brcko is a priority of the Serb Republic and the leadership and people will organize themselves when the arbitration issue comes up on the agenda."

Commenting on the possible postponement of the elections in Brcko, Plavsic said the OSCE had not made any official announcement on this.

"We have not been informed about this. The only problem in connection with the elections was the disputed participation of the Serb Democratic Party while it was led by Radovan Karadzic," Plavsic said and announced she would seek further details from Robert Prowick, head of the OSCE mission in the former Bosnia-Herzegovina.

B-H: Article Assesses State of Economy

AU2207085396 Zagreb VJESNIK in Serbo-Croatian 19 Jul 96 p 8

[Report by Alenko Zornija, VJESNIK correspondent in Sarajevo: "Clinical Death of the Bosnia-Herzegovina Economy"]

[FBIS Translated Text] "The Bosnia-Herzegovina Economy Is Clinically Dead." This opinion of a local economist, as reported by OSLOBODJENJE, is confirmed by the most recent data on the state of the economy issued by the Statistical Office of the Republic of Bosnia-Herzegovina, that is, on the territory under the control of the Bosnia-Herzegovina Army. The level of production continues to be under 10 percent of the prewar level; more precisely 7.3 percent. That is far less than the expected 20 percent, which was the reason why, while he still held the prime minister's office, Haris Silajdzic and his measures of economic policy, which allegedly had not guaranteed that this level would be achieved, were seriously criticized.

However, Muratovic's government has not realized that spectacular leap either. The Sarajevo paper estimates that a possible reason for such a bad economic balance is precisely the lack of a systematic plan for the recovery of the economic sphere. Prime Minister Muratovic announced as early as on the trade fair in Tuzla that his Government would not pass measures of economic policy, for political reasons, and suggested that the businessmen act in line with the situation in the market. Despite the fact that his standpoint was rather criticized, it is a question of whether the adoption of government measures would really change anything in the disastrous post-war Bosnia-Herzegovina economy.

The statistics are painful. Industrial output is growing dramatically slowly. Only the producers of beverages, tobacco, footwear, and electric power supplier have been successful to a certain extent. On the other hand, living costs and consumer prices are increasing.

The negative foreign trade balance of Bosnia-Herzegovina is huge. Imports were 20 times greater than exports in the first four months of 1996, and the foreign trade deficit amounted to some $164 million. In that period, the Bosnia-Herzegovina economy exported products worth only $8.5 million.

One should really be concerned with the unemployment data. Although a large number of people are employed illegally, the figure of some 800,000 unemployed is a warning of a possible social timebomb.

The official data speaks of 242,000 employed, which represents a certain increase in comparison with the

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previous period, however, that "increase" does not indicate a trend of improvement, but is caused primarily by the fact that data has been gathered from places in the Republic of Bosnia-Herzegovina from which such data had not been collected in the past. Of those 242,000 employed, 55,000 have not received their salaries for May, and the situation is even worse for June. The average salary in May was 15,776 Bosnia-Herzegovina dinars, that is, a bit less than 150 German marks [DM], and, in the same month, the cost of the consumer's basket amounted to 34,723 Bosnia-Herzegovina dinars (some DM340).

At the same time, while the economic indicators speak of slow or no recovery of the Bosnia-Herzegovina economy, the exchange rate of the "official" currency is still being maintained at the prescribed ratio of DM1 to 100 dinars.

As some independent economists claim, this is a "political exchange rate" for the protection of one of the symbols of the "monetary sovereignty" of the Republic of Bosnia-Herzegovina, and the financial support for the maintenance of the exchange rate is allegedly associated with the poor material state of those sectors financed from the budget—for instance health care, where the employees have been striking, asking, among other things, for higher salaries.

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Croatia: President's Spokesman Denies Rumors on PM's Departure

LD2207142096 Zagreb Radio Croatia Network in Serbo-Croatian 1300 GMT 22 Jul 96

[FBIS Translated Text] In response to articles recently published by some newspapers, Tihomir Vinkovic, the president's secretary for public relations, told journalists today that Prime Minister [Zlatko] Matesa still enjoyed the support of the president of the state and the Croatian Democratic Union [HDZ], and his departure from the position of the prime minister was out of the question. Aleksandar Stankovic reports:

[Stankovic] Rumors about a coalition government are unfounded because there is no need for it since the HDZ has a majority in the assembly, Vinkovic said. He stressed that the possibility of politically nonaffiliated individuals or members of parties whose programs are similar to the HDZ's joining the government would not mean the creation of a coalition government. The president's secretary also denied rumors about recent talks between the president and Branko Miksa, and described as absurd speculations that Miksa could become a new prime minister, replacing Zlatko Matesa.

[Begin Vinkovic recording] The rumors about the dismissal of Prime Minister Matesa and about a conflict between government ministers are aimed at destabilizing the authorities and (?forcing them) to yield to pressure exerted by certain circles that advocate the return of Croatia to the Balkans through some kind of regional cooperation and institutional links with Balkan states. [end recording]

[Stankovic] The normalization of relations with the former Yugoslav countries in all spheres is possible, but without institutional links, Vinkovic said. He stressed that in line with its historic, cultural, and civilizational links with central Europe, Croatia could join only central European regional institutions, such as CEFTA [Central European Free Trade Agreement]. Joining European integrations, and cooperation with and membership in the EU and NATO are the strategic guidelines of the Croatian national policy, the president's public relations secretary, Tihomir Vinkovic, said. He added that Croatia could join these associations only through consensus among [Croatian] parties, and certainly not through attempts to topple the existing authorities.

Croatia: Effects of Karadzic Resignation on SDS Viewed

AU2307090696 Zagreb VJESNIK in Serbo-Croatian 22 Jul 96 p 4

[Commentary by Ivan Sabic: "Pale in Panic"]

[FBIS Translated Text] The latest mission of Richard Holbrooke, U.S. special envoy for the former Yugoslavia, turned out to be just another "step on (Karadzic's) path to The Hague." However, the reactions of the Bosnian Serb leadership showed that they were panicking about what awaits them after Karadzic officially resigns from all his functions.

On the occasion of Karadzic's resignation, the leadership of the Serbian Democratic Party [SDS], recently chaired by Aleksa Buha, issued a lengthy communique that reminded the public of all the work that the SDS had done in the creation of the Serb Republic and swore that it would adhere to Karadzic's policy. Moreover, the communique warned the Serbs about the pressure coming from "a certain part of the international community" that tends to help "the puppet parties in the Serb Republic and the Muslim parties in the Federation of Bosnia-Herzegovina in order to establish puppet authorities in the Serb entity and dissolve the Serb Republic by melting it into Bosnia-Herzegovina."

Of course, the Pale leadership has no choice but to accuse the international community and Slobodan Milosevic and to call Karadzic's resignation a wise decision. However, many details of their arguments are apparently exaggerated, which shows that the leadership is not quite sure that their words or position are convincing. Anyway, Karadzic's associates claimed not long ago never to give in to the pressures of the "part of the international community," but they eventually signed a document that was dictated to them (not by Holbrooke, we must admit, but by Milosevic). Consequently, they cannot consider their policy to be very successful.

However, that does not mean that the SDS has lost its supporters to any other Serb party. The situation in Bosnia-Herzegovina, especially in the Serb entity, does not allow the popularity of a party to be endangered easily. Accordingly, the result of Karadzic's resignation will probably not be a poorer electoral result for the SDS. It is more likely to entail certain changes in their policy, especially regarding the Dayton agreement.

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Croatia: E. Slavonia Serbs Prevent Croats' Visit to Homeland

LD2207160696 Zagreb Radio Croatia Network in Serbo-Croatian 1300 GMT 22 Jul 96

[FBIS Translated Excerpt] [Correspondent Zeljka Bacic] A group of 33 [Croatian] refugees from Luc set off for their [Serb-held] village today to celebrate the day of St. Mary Magdalene. The trip was organized by the UN Transitional Administration for Eastern Slavonia] [UNTAES] at the initiative of the Croatian government's office for transitional administration which had asked UNTAES 15 days ago to allow the refugees to visit their villages and graveyards during their local religious festivities.

Unfortunately, the Serbs showed yet again that they are not in favor of peaceful reintegration. Local Serb leaders brought busloads of their people to the Bilje area, where they blocked the road with tractors and prevented the refugees from visiting their homes. The people of Luc had to wait more than an hour at the UNTAES checkpoint near Cinge Linge but their visit could not go ahead. This is how Ivica Vrkic, representative of the government's office for transitional administration, comments on the latest so-called spontaneous gathering:

[begin Vrkic recording] I want to use this opportunity to protest and to inform our public that it is clear that we are entering a critical stage of the mandate. It is up to UNTAES to review the situation, to see who is really in control of the area. If the Serbs think that they can conduct a policy of confrontation with Croatia and the world, I am afraid that they will have to bear the consequences for this, unless they are able to remove those responsible for this situation on their own, so that normal and rational people can secure a peaceful conclusion to the process of peaceful reintegration. [end recording] [passage omitted]

Croatia: E. Slavonia Serbs Urge Extension of UNTAES Mandate

LD2107160896 Belgrade TANJUG in English 1459 GMT 21 Jul 96

["Pool" item]

[FBIS Transcribed Text] Kragujevac, July 21 (TANJUG)—President of the Serb region of Eastern Slavonia, Baranja and Western Srem Goran Hadzic said on Sunday that the region had called on the U.N. Security Council for extending the mandate of the U.N. Transitional Administration of Eastern Slavonia (UNTAES) for another year, in keeping with the basic agreement between Croatian authorities and local Serbs.

The region is the only part of the former Republic of Serb Krajina which the Croatian army has not seized. Under the basic agreement of November 1995, the region was placed under one-year U.N. administration, which could be extended for another year.

Speaking to local radio in the central Serbian town of Kragujevac, Hadzic said that certain international representatives behaved 'as if our (Serb) side does not exist.'

Hadzic said that despite great promises, UNTAES had not yet invested one cent of assistance in the region, which made the people concerned about the final solution.

'We are under the impression that the international community has deceived us and we expect the fulfilment of given promises, which takes time,' Hadzic said.

Croatia: Osijek-Baranja County Official Interviewed

AU2307063396 Zagreb HRVATSKI OBZOR in Serbo-Croatian 15 Jul 96 p 20-22

[Interview with Branimir Glavas, leading official in Osijek-Baranja County, by Milan Ivkosic; place and date not given: "I Have Known a Different Finkielkraut"]

[FBIS Translated Text] An interview with Mr. Branimir Glavas, leading official in Osijek-Baranja County, which was planned a long time ago but had not yet taken place, was spurred by another interview of ours with the famous French intellectual, Alain Finkielkraut.

[Ivkosic] In the penultimate issue of our magazine, French writer Alain Finkielkraut made the serious accusation that you are an extremist who intends to banish all the Serbs from eastern Slavonia! He denied the assumption of our journalist that he had been speaking under the influence of [Zlatko] Kramaric [HSLS—Croatian Social Liberal Party], whose guest he was. Some French journalist—to whom you allegedly told your intentions—told him about you. Is that true?

[Glavas] Bearing in mind everything Mr. Finkielkraut has done for Croatia, and with all due gratitude, I grant him the right to speak his mind, but I do not think it is right for him to speculate and speak untruths. Too much is too much, even from such a distinguished philosopher!

Three years ago I had the opportunity to meet this gentleman, and I was really, shall we say, impressed because I met him in a somewhat different light than he had presented himself to the Croatian public. I was simply appalled by his opinions, for instance,

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about the collective guilt of the Serb nation for the crimes committed in Croatia and Bosnia-Herzegovina. I remember the conversation we had at dinner very well, when the distinguished philosopher argued his thesis of "collective guilt of the Serbs" by stating the dates of the Sarajevo assassination of Ferdinand, the Belgrade assassination of the Radic brothers, the Bleiburg tragedy, everything to Gazimestan and the events from the Liberation War. I even dared to say then, although the wounds were still fresh, that the Serb nation could not bear the burden of collective guilt because in its history it has had one Gavrilo Princip, Punisa Racic, Aleksandar Rankovic, Raskovic, or now Milosevic and Karadzic. A whole nation cannot be held responsible for the actions of the present psychiatric cases in the leadership. I said then that collective guilt is nonsense because we, the Croats, know best how dangerous and unjust that qualification is. Thus spoke a world famous philosopher. Although he spoke that way then, it was a conversation from which one could get a clear feeling that the gentleman was not speaking his mind, but rather he was speaking in order to provoke, with a clear intention of a later "philosophic reproduction" as the situation demands. His rhetoric did not impress me but caused me to wonder—who was that man, and from where did this immense love for Croatia come? Then I asked myself, had this man been sent to Croatia on purpose, upon somebody's orders? I solved the puzzle when I analyzed the people who surrounded him in Croatia. All of them were anarchists, people who studied in Belgrade, and his host—his best friend—was a proven UDBA [State Security Service] informer, who used the name "Tom." My final disappointment with Mr. Finkielkraut came after the interview in OBZOR, in which he—obviously, impressed with himself—allowed himself such a "scientific and publicist approach" that, as his argument, he takes the word of "a French journalist" that Glavas had told him something. In other words, it is completely clear—one can read it between the lines—that he is simply speaking the language of his host. After all, the Croatian public is aware that the host of the famous philosopher, on his trips around the world, often spoke against his own people, government, and country, thus helping ruin the reputation of Croatia in the world. Mr. Finkielkraut views the current Croatian state through yellow glasses.

[Ivkosic] Which "exceptionally aggressive paper" is "led" by yourself?

[Glavas] It is true that there is one exceptionally aggressive paper issued here in Osijek, for which you might think I was editing, because half of every issue is dedicated to me. If the "host" showed a couple of copies of Soros' BUMERANG to Mr. Finkielkraut—without, of course, having contributed to it—he might have easily figured out that I was the editor of that paper. However, let us stop kidding ourselves. He obviously had GLAS SLAVONIJE in mind, and to the extent that the paper is "mine" is evidenced by the fact that I have not been interviewed by that paper in the last three years. I dare say that Mr. Philosopher knows nothing about GLAS SLAVONIJE, apart from what he has been told by his hosts—Kramaric and those similar to him.

[Ivkosic] Do you think perhaps that Finkielkraut's opinions are influenced by somebody and are based upon misinformation he has been given?

[Glavas] Finkielkraut has assumed the right of lecturing on our history which has always been permeated with a thousand-year-old wish for independence. How dare he behave like that? He has made a grave mistake if he thinks that this generation of Croats will repeat mistakes from history and build a subservient relation with Europe. The Croatia we build will be no less democratic than countries with long democratic traditions, but it takes time. Despite all contradictions and disqualifications he has expressed on the occasion of his visits, I suspect his intentions are good.

[Ivkosic] We have followed your role in the peaceful reintegration of eastern Slavonia, Baranja, and western Srijem, and it is particularly constructive! One can see that in many of your actions. What is your view on further development of the reintegration?

[Glavas] At this moment, I can conclude, with pleasure, that the process of peaceful reintegration, although not at the desired speed and in the desired quantity, nevertheless follows the one and only possible scenario, that is, primarily opening communications—roads, railroads, and telecommunications. Monetary and economic reintegration is under way, and after the demilitarization, one can expect a successful psychological demilitarization among former rebels and outlaws. What I was offering the Serbs in 1993 and 1994 is today being implemented. Remember my offers to pay their pensions, to purchase their crops, sugar beet, Croatian school textbooks, and to open communications? My meeting in 1992 with Lazar Miskovic, an Orthodox priest, disproved claims by domestic "philosophers," like Finkielkraut, who accused me of extremism, did it not? I did that with good intentions, aware that after every war there is peace. Of course, I had no illusions that such a one-way communication could yield fruits immediately. However, that constant communication by my side, although it has not met with success with the self-styled Serb leadership, nevertheless yielded positive effects, because it has relaxed tensions with the common people in the occupied territory. You can say that it was

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a psychological preparation for what is going on now. Of course, my satisfaction is only partial, as long as refugees continue to wait to return to their homes. In the beginning of this peace process, I was a cautious optimist. I admit I am a cautious optimist even today, but also, I admit that the level of my optimism, as well as of my hope that the process will reach its end in line with desires and agreements, increases day by day.

[Ivkosic] What is the Serbs' human rights situation in Osijek now?

[Glavas] Figuratively speaking, after every big earthquake, a whole series of small tremors follows. These tremors are strong at first but then become weaker and weaker. It is logical that some excesses which happened were consequently associated with all the immense suffering and grief of the people in Osijek and in this part of Croatia. These excesses were individual cases, which received a lot of attention. Today, such incidents are rare, and even if they occur, the state institutions of authority are handling them. Apart from regular institutions of authority, I must point out that I have excellent relations with Mrs. Slavica Singer, HHO [Croatian Helsinki Committee] commissioner in Osijek, and that we solve some cases together, taking care to maintain Croatia's reputation.

[Ivkosic] Once, also in our paper, Minister Susak mentioned you. When he was talking about the exaggeration of the success achieved in Rijeka by "SDP [Social Democratic Party] members," he said: "Glavas has achieved better results in Osijek on the front lines; more people have been employed in Osijek since then than in Rijeka." Will you give us a more detailed description of the economic and social situation in Osijek and the county?

[Glavas] I admit, I have not read that so that the context in which that comparison was uttered is not clear to me. However, I accept that as a compliment from a man who is not famous for being wasteful with praises. Regarding the economic and social situation in Osijek and the county, it is not satisfactory by far. The very fact that Osijek is still a town in which trains and buses "turn around," that it is still partially surrounded by occupied territory, determines largely the economic and social situation. However, bearing in mind huge damages, direct and indirect, unfavorable economic structure of both Osijek and the whole county, this economy nevertheless takes care of itself, and I have reason to believe that a period of economic activity and prosperity is coming.

Over the last couple of years I myself, as well as the whole county, have taken it upon myself to develop infrastructure preconditions, and we have succeeded to a large degree. The time eventually comes, after a year of postwar dangers, for the market race between economic subjects to yield results. I expect the start of a new cycle of development and employment, because this area has economic and personnel resources. Of course, the precondition for that is adequate support from the government.

[Ivkosic] In the last elections you won convincingly. What are current party proportions and relations in Osijek and the county?

[Glavas] Yes, my satisfaction with the elections last year is complete. I think that the people of Osijek and the county noticed the efforts and the principled quality in the implementation of the party policy, and I accepted the results of that elections as some kind of reward for those efforts. Although I am aware of all the problems the people feel and patiently bear in this region, I believe that the people knew how to estimate and recognize what is objective in the postwar situation, and that which neither an individual, nor a party is responsible for. I believe that this ratio of interparty forces has not changed and that HDZ [Croatian Democratic Community] in Osijek and the county still enjoys the confidence of more than a half of the electorate.

[Ivkosic] Speaking of parties, is true that you were against the agreement between HDZ and HSLS, and if so why?

[Glavas] It is true that I have never hidden my disagreement with one such unnatural coalition. I considered, and I still consider, that the confidence of the people should be acquired through principled quality and honesty, and that the lost confidence with the party in some regions of Croatia can and must be restored by removing the causes of that, and not by some kind of "ridiculous" agreements.

[Ivkosic] There is a lot of criticism of the situation in agriculture. In that regard, does Slavonia feel itself neglected?

[Glavas] I am not an expert in agriculture, but I can understand some of the criticism I hear every day from both farmers and PIKs [Agricultural and Processing Plants]. I understand from many conversations that the problem of agriculture is exclusively an economic problem, which must be solved on the governmental and ministerial level. Every day, I hear stories about inappropriate purchase prices, inappropriate customs protection of certain products, etc. I wonder if the ministry is reinventing the wheel. As long as the strategy of the development of the agriculture is not clear, the farmers will feel neglected, and they will blame it on

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the ruling party and state policy, and the causes of that are probably hidden, as is usually the case, in a couple of incompetent people.

[Ivkosic] What are your relations with Zagreb like?

[Glavas] Excellent. In Zagreb I feel just like any other Croat in the capital of all the Croats.

[Ivkosic] You do not like talking to the papers very much. Is one of the reasons for that the way the papers are?

[Glavas] I would not say that I do not like talking to the papers. I practice full publicity of my work, and I maintain full communication with the public. I refuse only interviews that are often about the same subject, because I do not like repeating myself.

[Ivkosic] Our impression is that HDZ has neither the decisiveness nor the skill to gain more influence with the media, as if that is the last thing HDZ should worry about, except in cases when the media drive it crazy when it puts out lies, half-truths, and even the truth.

[Glavas] I can agree with that statement, but a question immediately arises—why is that so? I believe that the basic reason is that the relevant people are most often occupied with the existential questions for this state, because we must never forget how many important things have happened over the last six years, and how many important decisions have yet to be made on all levels. Certainly, there was often no calculation needed in communicating with the public, and that is a shortcoming which can be pretty vengeful. I can say myself that sometimes I waved away some untruths or semitruths in the press, and as a result later on, I had to spend a lot of time in order to settle things down.

[Box, p 22]

[Ivkosic] In his address to the Croatian World Congress, President Tudjman resolutely stood up against the aspiration to make privatization in the public a "general crime." Do you think that there is a lot less crime than one reads about in the press or that there is a lot more crime then HDZ and the authorities would be ready to admit and punish?

[Glavas] Yes, there is crime, there is. We have not punished it, we have not. I agree with the president that privatization cannot be made a "general crime," if for no other reason, than because I know how many crimes I have personally prevented in the Osijek-Baranja County.

In our analysis of privatization, we must not forget the fact of time and place in which privatization took place. The war, and the postwar period are not optimal conditions for such a delicate process. The times are favorable for profiteers and thieves of the lowest kind. Certain such cases are well known to the public, and I believe there are many cases which have not yet been revealed. We are standing at the beginning of a peaceful period when it will be possible to review all suspicious privatizations. I advocate and I will be advocating severe repressive measures toward all those who have violated the law in the privatization, regardless of who violated it.

HDZ as the ruling party cannot escape responsibility for the omissions which made the economic crime possible, and particularly if some of the more distinguished members are involved in it. However, without giving amnesty to anyone in that way, I am sure that an objective analysis would show that there is no party in Croatia immune to individuals who are trying to "fish in muddy waters."

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Poland: German Defense Official on Cooperation, Changes

WS2307113096 Warsaw ZYCIE WARSZAWY in Polish 23 Jul 96 p 3

[Interview with Gunnar Simon, secretary of state at the German Defense Ministry, by "HEL;" place and date not given: "Fields of Cooperation"]

[FBIS Translated Text] ["HEL"] This is your first visit to Poland since you assumed your new office. What were your plans for the visit?

[Simon] This is the first time that I have made a visit in my present capacity to get to know a neighbor—Poland. For many years now our relations have been very close, good-neighborly, and very friendly. Moreover, I would like to talk to my colleague—[Deputy Defense] Minister Karkoszka.

["HEL"] Is Polish-German military cooperation satisfactory?

[Simon] It is very open, very friendly, and good-neighborly. As far as creating the future is concerned, we are not only at a good start but also in the middle of a good continuation. One can see satisfaction in the approach of all politicians and of the parliament. There are 90 joint undertakings which are being carried out at the moment, such as joint maneuvers and an exchange of officers.

["HEL"] Do you think Poland is an interesting partner in cooperation in the area of military technology?

[Simon] While we talk about technology only and limit the scope of the entire cooperation, we should not forget that technology is part of general defense policy, a policy of security. Poland is one of the most valuable partners not only for Germany, but also for NATO and Europe. It is such a partner also as far as armaments are concerned, because one cannot imagine defense without armaments.

["HEL"] What was the purpose of your visit to the Navy?

[Simon] It certainly was not an accidental visit, but I could just as well have visited some other part of the Polish land or air forces. When I arrived in Poland, I found out that I would pay a visit to the Navy. In Germany the arms industry is self-dependent; it is not part of the state-owned sector. Cooperation in the area of armaments policies should be precisely specified in the whole of Europe. There should be specific principles of exchange and joint undertakings. This requires give-and-take and we would like to arrive at agreements in this area.

["HEL"] Did you reach any concrete agreements regarding military exchange during the talks?

[Simon] We talked about the final conclusion of an intergovernmental agreement on cooperation in the area of armaments, which we would like to finalize by the end of this year. Such intergovernmental armament agreements are not about specific things, such as aircraft or vehicles. What such agreements should specify is the following: how cooperation in the area of scientific research and armaments should look like in the future. We want to make the work of our ministries easier; another thing which such agreements should specify is the principles of keeping secrets.

["HEL"] All kinds of changes are under way in the armed forces of many countries, such as in the Polish or French Armed Forces. In what direction is the Bundeswehr heading?

[Simon] The Federal Government, the defense minister, and the parliament specified a long time ago what these transformations in our Armed Forces should involve. For the most part, they have already been made. We have maintained the duty of military service. The Armed Forces will consist of career soldiers, draftees, and contract soldiers. We have reduced the number of soldiers from 500,000 in the former Federal Republic to 340,000 in the united Germany. We do not want to change that.

["HEL"] What is your opinion on the processes of introducing civilian control over the Armed Forces which are under way in Poland?

[Simon] I find this difficult to assess, because civilian control of the Armed Forces has always existed in Germany. Anything else would have seemed abnormal. In a democratic country the armed forces must be subject to parliamentary control.

["HEL"] What are the directions of German military policies right now?

[Simon] There are three subjects which are vital to Europe and to NATO. First, changes in NATO, admission of new countries; second, there must be a change in the NATO structure because the old structure is no longer useful if one considers new tasks; third, NATO is now preoccupied with new tasks, such as in the new Yugoslavia.

["HEL"] Are there any areas which can enrich the Polish-German military cooperation?

[Simon] Such possibilities certainly exist, but there is a certain natural limit to cooperation. If one wants to specify the areas where it does not exist, we can say

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that there is a difference between cooperation within the alliance and cooperation before joining the alliance. Right now we are doing this within the "Partnership for Peace" program, for instance.

Poland: SLD 'Fights' for Ambassadorial, MSZ Posts

WS2207131696 Poznan WPROST in Polish 14 Jul 96 pp 22-23

[Report by Stanislaw Janecki, Marzena Hausman, Jacek Palasinski, Tadeusz Wojciechowski, and Tadeusz Wroblewski: "How the Coalition Fights for Posts in the MSZ and in Embassies; Ambassadors of the Alliance"]

[FBIS Translated Text] Employees of the Ministry of Foreign Affairs [MSZ] have no doubt: Minister Dariusz Rosati is not interfering with staffing policies. It is unofficially said that he does not have much to say. That is why Robert Mroziewicz, Stefan Meller, Andrzej Towpik and Eugeniusz Wyzner—all appointed by [former Foreign] Ministers Olechowski and Bartoszewski—continue to work as his deputies. Peace at the top means that the opposition is not overly excited about fighting for diplomatic posts. Surprise was publicly expressed by opposition deputies, among them Bronislaw Geremek [of the Freedom Union—UW, chairman of the Sejm Foreign Affairs Commission], when Andrzej Zalucki and Ewa Spychalska [Chairwoman of the All-Polish Trade Union Agreement—OPZZ] were nominated as candidates for the post of ambassador to Moscow. Zalucki was deputy director of [former] Prime Minister Jozef Oleksy's office.

The so-called list of 100 containing names of people who should be appointed to top ministerial offices is alleged to have circulated in the days of Oleksy's prime-ministership. Now that Head of the Office of the Council of Ministers [URM] Leszek Miller, Jozef Oleksy's rival for leadership in the Social Democracy of the Polish Republic [SdRP], is effectively influencing the staffing policies in a number of ministries, promoting his own candidates to positions at the MSZ is more than a matter of prestige.

Opposition deputies maintain that the SdRP wants Wlodzimierz Konarski to be appointed at least undersecretary of state at the MSZ. Konarski, an orientalist by education, worked as an expert for the Foreign Department of the Central Committee of the Polish United Workers Party back in the 1970s and headed the Polish delegation at talks on the reduction of conventional arms in Vienna. Wlodzimierz Konarski and Professor Iwinski, who represents Poland in the North Atlantic Assembly, are considered to be the chief players of the Democratic Left Alliance [SLD] in the field of foreign policy. After the 1993 elections, Tadeusz Iwinski was forcefully promoted to the post of deputy foreign minister.

The SLD still cannot come to terms with the fact that Andrzej Olechowski, despite an opinion issued by the Sejm commission, had appointed Ryszard Stemplowski, former head of the Presidential Chancellory, as the ambassador to London. Ambassador to Moldova Wiktor Ross, Ambassador to Morocco Piotr Szymanowski, Ambassador to Estonia Jakub Wolasiewicz, and Ambassador to The Hague Stanislaw Komorowski are looked upon with scorn by the SLD for the same reasons.

As early as May 1994, the Sejm Subcommission for the Revision of Cadres at the MSZ, chaired by Tadeusz Samborski, wanted to vet not only Wolasiewicz, head of the Europe II Department, but also several top-level officials, among them current Deputy Minister Robert Mroziewicz and some dozen-odd ambassadors, including Jan Kulakowski, permanent representative of Poland to the EC.

The coalition would have found it easier to promote candidates from the "list of 100" to the MSZ had Samborski's subcommission not lost face. Unattributed denunciations included in an annex to the subcommission's most recent report were very badly received by both the opposition and part of the coalition, including the incumbent president. Jacek Taylor of the UW deemed the revelations in the annex "a filthy smear," and Andrzej Celinski said they were "materials taken out of the gutter." The failure of the subcommission has effectively dampened any hopes the coalition might have had of carrying out purges at the MSZ.

Tadeusz Samborski, a postgraduate doctoral student at the Lomonosov University [in Moscow] who went on to work for the local Polish Cultural Institute, has no intention of giving up exerting influence on the staffing policy of the MSZ. Under Waldemar Pawlak's prime-ministership, he was to take over as deputy foreign minister. More "digestible" than Samborski, however, was his party colleague Stanislaw Szymanski, a professional diplomat since 1955, who does not, however, have much say at the MSZ. Andrzej Majkowski, former director of the Asia, Africa, Australia and Oceania Department, who was not approved by [former Foreign Minister] Krzysztof Skubiszewski for the post of deputy minister, found employment at the Presidential Chancellory. The SLD had previously unsuccessfully attempted to appoint Marek Siwiec deputy minister. He, too, is currently working for the Presidential Chancellory.

The repudiation of names from the "list of 100" does not mean their candidacies have been withdrawn. The Sejm has already approved Slawomir Dabrowa, an MSZ

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employee since 1960, for the post of ambassador to Belgrade, and Krzysztof Mroziewicz, a publicist for the POLITYKA weekly, to the Polish mission in India. Also on the "list of 100" was the name of Andrzej Bilik, former editor of the main television newscast, who is to be appointed ambassador to Algiers. Daniel Passent [also a POLITYKA publicist] is headed for Chile. Ewa Spychalska, chairwoman of the OPZZ, will take over as chief of the Minsk mission, provided she does not replace Stanislaw Ciosek in Moscow.

The governing coalition does not approve of Ewa Tuge-Erecinska, ambassador to Sweden, who is to be replaced either by Ryszard Czarny, former minister of education (whose name was also on the list), or by Piotr Urbankowski, former consul in Malmo, currently an employee of the URM. Czarny is a candidate of the SLD, therefore he stands greater chances than Urbankowski, who is supported by the Polish Peasant Party [PSL]. The assualt operation staged by the SLD was harbingered by Marek Szelewicki, formerly a reporter for Polish radio and television, most recently a sports commentator for Radio "Zet," who was appointed deputy director of the Polish Cultural Institute in Stockholm. The problem is, however, that Ambassador Ewa Tuge-Erecinska is heavily praised by King Carl XVI Gustav as well as incumbent Prime Minister Ingvar Carlsson and former Prime Minister Carl Bildt. Minister Rosati has therefore not yet decided to discharge the ambassador, although her term was prolonged only by several months. The example of Stockholm shows that rifts within the coalition and the fight for ambassadorial posts waged between the URM, the Presidential Chancellory and the MSZ occasionally cause a disgraceful delay in making decisions.

One obvious example of that is the vacant position of ambassador to the Quirinal, which does not serve the image Poland projects in Italy well. The mission in Rome has been vacant since January 1995. A fierce fight is going on to fill the post vacated by Boleslaw Michalek, a graduate of the Brussels Diplomatic Academy and a polyglot. Andrzej Olechowski wanted to send Tomasz Lis, former head of the MSZ Consular Department who—despite protests from the coalition—is now to be appointed consul general in New York. The SdRP is strongly supporting the candidacy of Maciej Gorski, head of Interpress [press agency operating before the system reform]. That candidacy, however, is being blocked by the PSL, which would rather see Jan Czaja at the Quirinal.

The old guard, meantime, is taking over at the embassy. Lech Kubiak, press counselor of the embassies in Belgium and the Netherlands in the 1980, is now in Rome. He replaced Elzbieta Jogallo, the daughter of Jan Turowicz [chief editor of the TYGODNIK POWSZECHNY Catholic weekly], who had won a contest for the post of director of the Polish Cultural Institute. Jan Michalski, who had worked at various missions prior to 1989, also has returned to the embassy, where he is employed in the political section.

Only Jerzy Kozminski, current ambassador to Washington, is successfully fighting back against the landing operation of the new-old diplomats from Warsaw. Having worked for Leszek Balcerowicz [deputy prime minister and minister of finance in Tadusz Mazowiecki's cabinet, currently UW chairman] and going on to work as undersecretary of state at the MSZ, Kozminski was appointed to his current office thanks to his outstanding skills. The fact that he enjoys the trust of practically all political forces are not without significance for his effectiveness. The forte of the ambassador to Washington are his excellent relations with the Polonia. Jerzy Kozminski was thus able to deter the appointment of an SdRP candidate for the post of consul in New York. Maciej Krych, a protege of the SdRP who had been sent earlier to Los Angeles, turned out to be a controversial figure. He turned a large part of the Californian Polonia against him. Without consulting the ambassador, the Ministry of National Defense appointed the new military attache to Washington. It did not choose any of the three colonels who had recently obtained diplomas in the United States, but General Jan Waliszkiewicz, who has far poorer knowledge of the U.S. scene and a much worse command of English. Ambassador Jan Barcz, a former counselor and minister plenipotentiary who replaced Wladyslaw Bartoszewski in Vienna, also has been successful in retaining his independence and continues to receive rave reviews in the host country.

For the time being, the coalition makes do with small victories. The Sejm commission has recently approved the candidacy of Boguslaw Kaczynski, former counselor and plenipotentiary minister to Moscow. He is to establish an embassy in one of the Asian states that emerged after the USSR disintegrated. Eufemia Teichmann, an economist and a friend of Minister Rosati from the Main School of Planning and Statistics, is to be appointed ambassador to one of the European states that emerged after the collapse of the USSR. It still remains unknown what part the PSL will play in the war for ambassadorial posts. When Leslaw Podkanski was minister of foreign economic cooperation, he openly meddled with foreign policy when he prepared [former] Prime Minister Pawlak's visits to Moscow, Bonn, or China. Senat Speaker Adam Struzik and former URM head Michal Strak are self-appointed diplomats. [allusion to frequent foreign trips made by both politicians]. The mess will be even bigger if the PSL joins the fight for offices at the MSZ and at diplomatic missions. It should

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be kept in mind that ever since the project of reforming the MSZ developed by Jerzy Kozminski failed, no one has attempted to introduce changes without which the MSZ will become unmanageable.

Poland: New Christian Democratic Party Established

WS2307121196 Warsaw ZYCIE WARSZAWY in Polish 23 Jul 96 p 2

[Report by "EK": "The Right; The PC Intends To Unite Christian Democrat Groupings"]

[FBIS Translated Text] The Center Accord [PC] wants to form a new Christian democratic party before the elections. It would consist of the Polish Peasant Party-Peasant Accord, the Party of Christian Democrats, the Christian-Democratic Labor Party, and the Conservative Coalition—parties which had earlier announced the creation of the Christian-Peasant Agreement.

According to PC Chairman Jaroslaw Kaczynski, the Christian democratic grouping will not threaten the Christian-National Union [ZChN]. Both parties could exist side by side. He did exclude, however, the possibility of the ZChN becoming a part of the new grouping. "ZChN does not meet all the requirements; it is not a pro-European party," said Kaczynski. He also noted that the grouping should be "fiercely anticommunist." It should also clearly support Poland's aspiration to join NATO and EU structures.

Kaczynski said that the PC is currently the largest Christian democratic grouping, therefore it can form a new party. He predicts that the fusion would strengthen the PC's position within the "Solidarity" Election Initiative [AW"S"] and reinforce the entire "Solidarity" bloc. The PC and the ZChN currently occupy similar positions within the AW"S", and "Solidarity" Chairman Marian Krzaklewski appeared in the company of both party leaders at a recent news conference.

Before the Christian democratic party is established, the already existing groups must dissolve. Kaczynski claims this can take place only after the summer holiday season.

The PC chairman appealed yesterday to the signatories of the AW"S" for an unequivocal statement on Poland's membership in the EU structures. "The defense of our economic interests is one thing, entering the EU is another," he added.

Poland: Justice Minister Discusses Surveillance Authorization

LD2207151296 Warsaw Polskie Radio First Program Network in Polish 1005 GMT 22 Jul 96

[FBIS Translated Text] Justice Minister Leszek Kubicki has said that in the last six months he issued over 500 authorizations for the installing of eavesdropping devices. The [Justice] Ministry is now responsible for preparing the exact statistics.

In an interview for Polish radio Minister Kubicki gave assurances that he will issue authorization for installing eavesdropping devices only in cases when there is a justified suspicion of serious crimes being committed, such as drugs trafficking, arms smuggling, or money counterfeiting.

The justice minister added that the number of crimes where eavesdropping is justified has been on the increase. He also stressed that participation by foreigners in organized crime in Poland is also extensive.

[Begin Kubicki recording] Phone-tapping is the most frequently used form of surveillance. You can tap normal or cellular telephones but in certain cases it is necessary to monitor correspondence; in other cases you can apply local surveillance, for example in apartments. But this ultimate form can only be applied when certain facts have been established and the likelihood of very serious crimes is very high. [end recording]

Poland: Officials Stall Ombudsman's Phone-Tapping Inquiry

LD1907212996 Warsaw TVP Television Second Program Network in Polish 1900 GMT 19 Jul 96

[Relayed by Warsaw TV Polonia Network in Polish]

[FBIS Translated Text] [Announcer Bozena Targosz] The Ministry of Internal Affairs is illegally planting phone-taps in Poland, it transpires from letters from private individuals sent to the civil rights ombudsman. The ombudsman, Professor Adam Zielinski, two weeks ago requested a clarification of this matter from three ministers, of internal affairs, communications, and justice. As of today none of them has replied to the letters from the ombudsman.

[Begin recording] [Unidentified correspondent] The response by Professor Adam Zielinski was called forth not only by letters from persons writing that the Ministry of Internal Affairs was eavesdropping on them, but also by press reports about the ways in which the police can keep us under surveillance.

Does the spokesman react in this way to every press article?

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[Dr. Andrzej Malanowski, head of the team for protection of citizens rights and freedoms] Well, to every signal in the press relating to the transgression of the rights of citizens. We are here, of course, dealing with a problem of the rights of citizens, the protection of privacy. Whether, on the other hand, there actually was a transgression of these rights or not is difficult for us to say at the moment. But there is a problem, there exists a serious doubt, and the thing needs to be looked into.

[Correspondent] The civil rights ombudsman demanded clarifications from the minister of communications as to whether, and in what way, the bodies of the Ministry of Communications supervise the planting of eavesdropping devices, and also whether there exists a system for the prevention of illegal eavesdropping. The ombudsman asked the prosecutor general, who must issue consent for eavesdropping on each occasion, how many times he had given such consent. The minister of internal affairs was asked by the ombudsman about the number of eavesdropping devices planted this year and last, and also about whether the Ministry of Internal Affairs is any way capable of controlling its officers and whether they carry out eavesdropping legally on each occasion.

Let us recall that yesterday Internal Affairs Minister Siemiatkowski confirmed the suggestion made by the "Panorama" program, that Ministry of Internal Affairs officials are employed in so-called hidden jobs at post offices and telecommunications offices, and who among other things facilitate eavesdropping on conversations at a given telephone number, penetrating wireless telecommunications, and also inspecting letters and faxes. The head of the Ministry of Internal Affairs gave assurances, however, that this takes place in a legal way.

The press spokesman of the minister of communications denied that the ministry employed anyone from the Ministry of Internal Affairs.

[Marek Malinowski, press spokesman of the minister of communications] In the ministry, matters of protection of state secrets are the concern of the Defense Affairs Department and these are completely public posts as is, as I say, the department that concerns itself with this.

[Correspondent] He added, however, that the Ministry of Communications does not control the post office or telecommunications, which are separate enterprises.

The three ministries still have two weeks in which to grant a reply to the civil rights ombudsman. They may not hide behind professional confidentiality or state secrecy. On the other hand, the reply may be classified as secret. The ombudsman stresses that the point of his questions is not who eavesdrops on whom, but whether appropriate control procedures exist within the Ministry of Internal Affairs. [end recording]

Poland: Privatization Minister Predicts 'Hot Fall'

WS1907140396 Warsaw POLITYKA in Polish 20 Jul 96 p 57

[Interview with Polish Privatization Minister Wieslaw Kaczmarek by Jacek Mojkowski; place and date not given: "I Predict a Hot Fall"]

[FBIS Translated Text] [Mojkowski] Why is the privatization of enterprises carried out more and more slowly and why are fewer and fewer companies being sold through the stock exchange or to strategic investors?

[Kaczmarek] Well, I can say that the bureaucratic ability of my department was not high over recent months. To put it succinctly, to carry out the privatization of state enterprises, we require good advisers and for some time we have been having difficulty in finding them. The law on public orders envisaging the announcement of tenders—well done!—also does not ease our task. This, however, requires time.

[Mojkowski] What was the reason that you withdrew from the privatization of the Polska Miedz [the copper mining and processing plant] [KGHM]?

[Kaczmarek] Having analyzed the capacity of the capital market in Poland, we concluded that an attempt to sell a block of shares worth some billions of old zlotys could be blocked by the absence of the relevant demand. In addition, when in early 1996 we envisaged the privatization of the KGHM, no one could foresee that due to crazy speculation on the international copper market, the price of copper would drop. When privatization of the KGHM is at issue, the copper price is not a basic parameter, but it also cannot be totally disregarded. Copper is the flagship of the Polish economy; thus, it is better to export it in early 1997, when the situation on both domestic and foreign markets will become less doubtful. We also had to consider in our calculations the fact that our offer to sell the block of KGHM shares abroad could be blocked by another barrier of demand, because there are plans that Deutsche Telecom in Europe will be subject to privatization within the same timeframe.

[Mojkowski] Will budget revenues in which originally the KGHM had a considerable share be affected in these conditions?

[Kaczmarek] Of course, we can be reproached for the deceleration of privatization in quantitative terms, but not in qualitative. We still need several billion inf old zlotys to implement the budget law. There are now five-six enterprises ready for the sale, which will easily

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replenish relevant state revenues or even exceed the planned level. The late fall of 1996, like last year, will be the most important for privatization. To calm those who deal with statistics, we have launched tenders.

[Mojkowski] Will the envisaged administration center reform not impede the implementation of these plans?

[Kaczmarek] It is clear that this cannot be ruled out because each change in the administrative-economic center disturbs the decisionmaking process. But a lot depends on how precisely procedures for passing from the old to the new system will be specified, or specifically: who and for what will be accountable during this timeframe, what projects must be implemented, and so on. Given current discussions and the debates on administrative center reform that are being held within the coalition, it is too early to predict whether this will decelerate or accelerate privatization. In my opinion, the logic of changes demands that reform be approved today, but be implemented after the elections, when the distribution of forces in the parliament becomes clear. The opposite situation leads to the fuelling of political tension which harms privatization most because judging from the experience of past years, privatization is over politicized.

[Mojkowski] How did the debates around the National Investment Fund—or more precisely around the 13th and 11th funds—end?

[Kaczmarek] As regards the 13th fund, due to the conflict between a supervisory council and a managing foreign company, we have dismissed the supervisory council and set up a new one which must draft a report on the fund's regulation within a two-month timeframe. As regards the 11th fund, where also a conflict emerged between its supervisory council and a managing company, we resolved it in another way: we agreed to break off the agreement with the company. The company, however, does not want to agree with this. If we do not find an amicable way out, the case could be submitted to the arbitrator. These are two cases for which there is always a place when such a sizable economic program—the NFI—is at issue. They should not have been given such publicity; due to this publicity, public opinion failed to notice most important current issues: investment funds must draft issuing prospectuses to be able to participate in the stock exchange. A procedure to replace millions of share certificates by stock will be launched in late March 1997. Hence, I repeat: the fall of 1996 is the key to our success in privatization.

Poland: Interior Minister, Police Report Lower Crime Rate

WS1807145396 Warsaw RZECZPOSPOLITA in Polish 11 Jul 96 p 11

[Report by Anna Marszalek: "The MSW and Police on the Declining Crime Rate; Thousands of Gangs Busted"]

[FBIS Translated Text] *Interior Minister Zbigniew Siemiatkowski and Police Chief General Jerzy Stanczyk informed reporters yesterday [10 July] that the number of crimes committed in the first six months of this year decreased from 4,648,000 (in the first six months of the previous year) to 4,121,000, resulting in a total fall of 11 percent. Minister Siemiatkowski claims this is the result of "intense police operations, strengthened discipline, and organizational and staffing changes introduced in police units." On the other hand, Police Chief Stanczyk boasted that the police has disbanded more than 4,000 criminal groups of various types, 400 of them very dangerous.*

Siemiatkowski stressed that two types of criminal activity have not yet been successfully dealt with—the number of armed robberies is growing and the number of highway crimes committed by foreigners (the majority of them speaking Russian) remains high. Over the past six months, 203 such incidents were noted, in 60 cases weapons were used. The perpetrators were most often Ukrainians—56, Belarusians—41, Russians—11, and Chechens—12. The victims were predominantly Russian speakers. Russians committed approximately 1,000 crimes in Poland, and Poles in Russia—11.

Forgeries have grown by 23 percent (from 257,000 in the first half of last year to 318,000 this year). However, the number of car thefts is declining. Over the past six months the police noted nearly 31,000 such crimes (last year—33,300). Out of the stolen cars, 123,000 were recovered. Nearly two-thirds of cars are never retrieved.

The crime rate in major cities, among them Warsaw, has fallen (Police Chief Stanczyk claims this is the result of the decision he made when he was chief of Warsaw police to employ a further 3,000 people.) The same can be said of the Chelm, Krosno, and Zamosc Voivodships.

Stanczyk maintains that one of the reasons why the police have become more effective is the policy adopted by Jozef Oleksy's government: Financial assistance enabled the police to repay their debts, purchase basic equipment, and employ more people.

Minister Siemiatkowski assured that the budget of the Ministry of Internal Affairs for 1997 will not be bad, either, and will allow for further investments (they are to

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grow by 243 percent), among them purchases of equipment for the Fire Brigade and housing investments for the police—this problem is particularly felt in Warsaw). Some 1,000 positions in the logistics department are to be staffed by civilians, and policemen will work in the streets. Among the top priorities, the minister mentioned tightening the eastern border by the Border Guards, which are to employ an additional 2,000 people, and replace soldiers with professional cadres.

Siemiatkowski also said he agrees with Police Chief Stanczyk on the issue of the positioning of organized crime divisions [PZ], but he was misled as to the principles on which PZ officers are to be paid. However, that problem has already been settled. "Whoever says that this means the end of fighting organized crime is intentionally lying," said the minister. Stanczyk stated that his order [not specified] is being criticized by amateurs, yet he is the one directly responsible for fighting organized crime.

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Slovenia: Injunction Obtained To Freeze Belgrade Bank Assets

AU2207145996 Ljubljana Radio Slovenia Network in Slovene 1330 GMT 22 Jul 96

[FBIS Translated Text] The government information bureau today published a statement in connection with the Slovene demand for a temporary injunction on the management of assets of Beogradska Bank in Cyprus, following a REUTER report on the injunction. A few days ago the Slovene representative succeeded in having a Cypriot court freeze the assets of Beogradska Bank because a portion of its funds are also Slovene.

In today's statement, the information bureau explains that Slovenia, along with other successors states of the former Yugoslavia, decided to initiate procedures to protect the assets of the former Socialist Republic of Yugoslavia and its institutions abroad. It did so pursuant to prevailing UN Security Council resolutions and the Badinter arbitration commission ruling. As the National Bank of Yugoslavia was an institution of the former joint state, the process of asset protection also pertains to it. The successor states are attempting to protect assets in all countries where official information indicates that assets of the former Yugoslavia are being kept, stressed the government information bureau.

Slovenia: Belgrade Bank Denies Cypriot Court Froze Assets

AU2207153896 Ljubljana Radio Slovenia Network in Slovene 1330 GMT 22 Jul 96

[Report by Matej Surc from Belgrade]

[FBIS Translated Text] Borka Vucic, director of Beogradska Bank in Cyprus, reacted sharply to media reports claiming that the bank's assets had been temporarily frozen. Vucic issued a special statement saying that reports claiming assets have been frozen are malicious and harmful and that Slovenia is not legally entitled to request anything from Beogradska Banka but should turn to the National Bank of Yugoslavia. According to the statement, the Cypriot court does not have the authority to block the funds of the Beogradska Bank office in Cyprus.

Director Vucic confirmed that Beogradska Bank must, at the request of the Cypriot court, allow the 1991 statements of accounts for the National Bank of Yugoslavia to be inspected. Beogradska Bank in Cyprus has already appealed the decision. The appeal is procedural in nature, and a ruling should be made at the 29 July court hearing initiated by Slovenia.

It was also learned in Belgrade that Slovenia is represented by three very well-paid Greek Cypriot lawyers in this procedure. They addressed a request to all financial institutions in Cyprus, Greece, and other countries linked to the Yugoslav institutions. The lawyers demand that the banks in these countries terminate all transactions until Slovenia's share in the inheritance of the former SFRY is separated from it. According to the IMF, the Slovene share is approximately $650 million.

We are, therefore, facing a complex legal procedure, because it appears that the authorities in Belgrade have skillfully covered the traces of the Yugoslav financial inheritance.

Slovenia: Kacin Says No Purchase of Fighter Planes in 1996

AU2207154896 Ljubljana DELO in Slovene 20 Jul 96 p 2

[Article by "M.V.": "Slovenia Will Not Purchase Fighter Planes This Year"]

[FBIS Translated Text] Ljubljana, 19 July—"This year we will not purchase any fighter planes or equipment that will not go into active use. We are not holding talks with any country—not even Israel—on the acquisition of these planes. The Kfir fighter planes have not been used since 1994, and therefore they are not even under consideration. Although air defense is of priority in the construction of our defense system, we still do not have the answer to the question as to when we will begin purchasing fighter planes. Moreover, we definitely will not have an answer to this question prior to coordinating the issues with NATO."

That was the answer that Defense Minister Jelko Kacin gave to a question from a journalist at today's press conference. The purpose of the press conference was to brief on the international activity of the Defense Ministry and the content of the second round of talks with NATO.

Kacin also discussed the activities of the Defense Ministry toward easing the alliance's decisionmaking on the acceptance of new member states, which will be done at the end of the year.

Also, our Defense Ministry and the Croat Ministry of Defense have signed an agreement on military aviation cooperation and cooperation in the area of air defense. Our Defense Ministry also signed an agreement with Austria on new forms of cooperation, and one with Italy regarding defense and military cooperation is undergoing the governmental procedure. This will be the first such agreement with neighboring Italy, and the countries are already discussing the possibility of the first military exercise. Representatives of the Ministry of Defense yesterday returned from Spain and Portugal,

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which are both already NATO member states, and their support for our state joining the alliance is therefore so much more important.

State Secretary Gorazd Vidrih spoke about the second round of individual talks with NATO and emphasized that the final round of talks would take place in September. The discussions, which are divided into political and defense-security, are to finish with the latter. This autumn 11 more decisions on this topic are to be covered, among them the structure of our forces, their financing, and common command structures. Otherwise, there is no issue on which our country could not respond to the NATO alliance.

Slovenia: Businessmen's Visit to Sarajevo Considered Failure

AU2307103696 Ljubljana DELO in Slovene 20 Jul 96 p 24

[Article by Zdravko Latal: "The Bosniaks Want Capital, Not Chickens and Beer"]

[FBIS Translated Excerpt] Sarajevo, 19 July—Two business meetings and two fair exhibitions have ended in the Skenderija [sports center] in Sarajevo. The Iranian economy had been presenting itself for 10 days and the Slovene economy for four days. [passage omitted]

The arrival of Slovene businessmen in Sarajevo was a good move for at least two reasons—to find out what was expected from them in Bosnia-Herzegovina, and how to do business within the country. "Without gloves, almost in a rough manner," the director of the Sarajevo chamber of commerce told the Slovene directors, adding: "You cannot just sell here because we can purchase goods all over the world goods of better quality and under better circumstances. You simply need to invest as well."

This request was supported by the latest data of the state statistical institute. In four months this year trade between Slovenia and Bosnia-Herzegovina had a ratio of 1:515. The trade balance for Bosnia-Herzegovina was catastrophic, and this was no different for Slovenia since it exported $27.8 million worth of goods. The goods were mostly chickens, beer, and juices—in other words foodstuffs and some semifinished products, spare parts, and technology. This will not go on for much longer because this already poor market is becoming even poorer, and Croatia has a more aggressive approach. Croatia is in a better position as it does not need to pay customs duty.

The Slovene businessmen noticed that their presentation was not visited by representatives of either the Republic or the Federation government. The Federation prime minister has a valid excuse, as he was on an official visit to the United States. Nevertheless, his ministers could have shown more interest, at least the corresponding one. We cannot yet tell whether this coolness is the result of the shock of the visas, bad organization, or the fact that some people are on vacation. Where resources and capital were being offered, the ministers and members of the Bosnia-Herzegovina Presidency were also present. Perhaps they are too busy with election duties in the ruling parties. Everything is possible, but it is nevertheless certain that the businessmen from Iran and the financial magnates from Kuwait were welcomed also by state officials. I would like to say that the countries were backing these talks and that the countries had sent their high representatives to them. Except for the ambassador to Bosnia-Herzegovina, no representatives accompanied the Slovene businessmen in Sarajevo. The president of the Slovene Chamber of Commerce has not visited Sarajevo since the beginning of the war. The officials and businessmen in Sarajevo noticed this and understood it in their own way. The Slovene businessmen were left to themselves regarding entry into the Bosnia-Herzegovina market. That is why it is not strange that out of the 150 businessmen in Skenderija, only the directors of Helios, SCT, and Metalka reported that they had discussed the possibilities of joint investments in the renewal of the production capabilities that interest them. All the rest had their minds only on how to sell as much as possible. This will be so until the Slovene state realizes that it must change its incentives policy, at least regarding Bosnia-Herzegovina.

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Federal

FRY: Milutinovic, Luxembourg's Poos Call Talks Positive

LD2207180996 Belgrade TANJUG in English 1736 GMT 22 Jul 96

[FBIS Transcribed Text] Belgrade, July 22 (TANJUG)—Foreign Minister of the Federal Republic of Yugoslavia (F.R.Y.) Milan Milutinovic and Luxembourg Foreign Minister Jacques Poos assessed as positive their talk devoted to the two countries' bilateral relations and efforts invested by the F.R.Y. and the European Union (E.U.) in the final resolution of the Bosnia crisis.

The two ministers on Monday made statements to the press in which they underscored that free elections in Bosnia and Herzegovina, scheduled for September 14, had a decisive role in successfully completing the process of the implementation of the peace agreement, in which it is necessary to secure equal conditions for all parties to the agreement.

Milutinovic told the press that both parties had reaffirmed their committment to and readiness for cooperation so that the Dayton-Paris peace agreement be implemented consistently and fully.

He said the two sides agreed that equal treatment of all sides, especially in the allocation of funds, was the necessary prerequsite for the rebuilding of confidence, successful outcome of the process of reconstruction and balanced development of Bosnia and Herzegovina.

We assessed as positive Luxembourg's role in searching for a political settlement of the crisis in former Yugoslavia, to which Minister Poos had made a notable personal contribution, Milutinovic said.

He said the talk underscored F.R.Y.'s interest in the reintegration into the U.N., OSCE and international financial institutions, as well as into European groupings for which the F.R.Y. expects Luxembourg's full support.

Milutinovic and Poos said there were ample possibilities of promoting bilateral cooperation, to which Luxembourg's April 1996 decision on normalizing relations between the two countries had given an impetus.

Minister Poos, whose country takes over the six-month E.U. presidency term in January next year, said he paid a visit to Belgrade to speed up the implementation of the Dayton Accords.

Poos said he asked partners at his talks to continue to have a positive influence on all parties (to the Bosnia crisis), especially on the Republika Srpska, to carry on with the implementation of the peace agreement.

Poos said many things had already been done, but a lot still remained, among other things, for Bosnia to be rebuilt and to provide for preconditions for the true reconciliation of the peoples.

Poos voiced hope that the presence of the Implementation Force (IFOR) in Bosnia and Herzegovina would not be needed after the elections, that prudent men, who would establish good relations with neighbours, would be elected to the key offices. He assessed as positive Bosnian Serb Leader Radovan Karadzic's withdrawal from the political scene.

FRY: Prerequisites Exist for Cooperation With Luxembourg

LD2207164396 Belgrade TANJUG in English 1627 GMT 22 Jul 96

[FBIS Transcribed Text] Belgrade, July 22 (TANJUG)—Yugoslav Prime Minister Radoje Kontic and Luxembourg Vice Premier and Foreign Minister Jacques Poos stated here on Monday that all prerequisites existed for comprehensive cooperation between Yugoslavia and Luxembourg as well as all members of the European Union (E.U.).

The Yugoslav Information Secretariat said in an announcement that they noted that the two delegations' meeting was the best confirmation of the two countries' readiness to renew and promote their cooperation.

Assessed at the talk was that the biggest obstacle in the way to the further development and promotion of universal and especially economic relations was raised by what is called the outer wall of sanctions, or by the slowness in the normalization of relations between Yugoslavia and international political, economic and trade institutions and organizations.

At the Kontic-Poos talk, in which Yugoslav Trade Minister Djordje Siradovic and Assistant Foreign Minister Radoslav Bulajic also took part, it was concluded that, without the normalization of financial and trade relations, Yugoslavia could hardly restore and develop its economy and, consequently, be the stable factor of peace in these areas.

The announcement said that Poos appraised highly Yugoslavia's role in and contribution to the achievement and maintenance of peace in these areas.

Poos showed interest particularly in Yugoslavia's views on the forthcoming free elections in Bosnia and Herzegovina (BiH), and on the situation and future of relations with the former Yugoslav republics, the announcement said.

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Kontic pointed out Yugoslavia's readiness for equal-footing cooperation with all the countries, including also the former Yugoslav republics.

Kontic stressed in particular that it was necessary to implement the Dayton Accords consistently, presuming in the first place that free elections be held in the BiH on September 14 and legal organs of authority constituted.

FRY: Economic Cooperation Talks Held With PRC Delegation

LD2207180496 Belgrade TANJUG in English 1745 GMT 22 Jul 96

[FBIS Transcribed Text] Belgrade, July 22 (TANJUG)—Serbian Minister Coordinator Minister [as received] Dragan Tomic discussed on Monday with a seven-member Chinese delegation prospects for upgrading bilateral economic cooperation.

The meeting, which was also attended by Serbian Minister of Industry Oskar Fodor and Vice President of the Serbian Chamber of Commerce Momir Pavlicevic, is a continuation of talks held in Beijing on various barter arrangements.

The Serbian Ministry of Information said that Tomic expressed gratitude for China's support to the recovery of Serbia's economy in the wake of the sanctions.

He said that the companies Sinochem and Jugopetrol had already achieved good results in their barter arrangements.

He expressed the hope that the Chinese delegation would witness the high-quality of Yugoslavia's agricultural machinery and equipment and that it would lead to a greater volume of trade exchange between the two countries.

The deputy general director of China's Central State Commission for Agricultural Machinery and Equipment Ku Cangfu said that the Chinese market needed new technologies, particularly agricultural machines.

He said that the delegation had come to Serbia for talks on agricultural products, their quality and prices.

Fodor said that equipment produced in Serbia met all world technical and technological standards.

FRY: 'Hunting Season' for Karadzic, Mladic Said 'Open'

AU2207183396 Belgrade POLITIKA EKSPRES in Serbo-Croatian 12 Jul 96 p 5

[Commentary by Milan Bozokin: "Witch Hunting"]

[FBIS Translated Text] The Hague Tribunal's circle has closed tightly around Radovan Karadzic and Ratko Mladic. Yesterday's international warrant for the arrest of the Bosnian Serbs' political leader and their military commander was the last missing link in the chain for dispatching Karadzic and Mladic to the Hague. As of today the hunting season for them is open, and it will not close until Karadzic and Mladic are caught and sent by special airplane to the Hague, which has long since pronounced their sentence. How long it will take the pursuers to hunt them down is currently rather unclear, but one thing is sure, it will be neither quick nor easy.

Nothing in these parts happens by chance, and all moves are made with a clear message. The international charges against Radovan Karadzic and Ratko Mladic have been made to coincide with July 11 because on that day, exactly one year ago, the Muslim enclave of Srebrenica, which was under the protection of the United Nations, was forced militarily to come under the authority of the Serb Republic. After that mass crimes were allegedly committed against the Muslims. These claims have never been proven, they are still assumptions. Regardless of this, the International War Crimes Tribunal in the Hague brought charges against Karadzic and Mladic, and ten days ago initiated a trial against them. Not only did the defendants not attend this farce, but the court did not even allow Karadzic's lawyer, Pantelic, to take part in the hearing. He was only allowed to be present in the courtroom with all the other citizens sitting in the audience!? This, supposedly, is in keeping with the rules that the Hague Tribunal had devised for itself. But then at the "public hearing" "experts" and Muslim "witnesses" were called out to attend the seven-day media summer "trial" of Karadzic and Mladic in the Hague; nothing new was presented nor seriously documented, nor was any tangible evidence offered that would shed light on what had for months been the topic of talks. The court only presented old and widely known videos and witnesses. The new element this time was the appearance of Carl Bildt, who had worked as Goldstone's traveling salesman on the Belgrade-Pale-Banja Luka route, resolutely presenting the Hague Tribunal as better and more powerful than it really was. The Swedish diplomat did not succeed in his mission, just as the tribunal did not convince the Serb Republic leadership that it had more material evidence than what had already been presented to the public. It all came down to "witnesses" and "experts" who had not seen anything, but had only heard about it on the radio. In spite of the fact that nothing was proven, in his closing statement on Monday, the Hague Tribunal's prosecutor demanded Karadzic's and Mladic's extradition to the Hague War Crimes Tribunal. Three days later an international warrant was issued for the arrest of the two Bosnian Serb leaders. Regardless of all the injustice and absurdity of such an act, the new situation has to be given serious attention. The warrant requires all countries in the world to arrest the suspects immediately and deliver them to the International Tribunal. However, in apprehending the suspects, the international community cannot wait very long. This task needs to be completed by mid-September, when the planned elections

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in Bosnia-Herzegovina will be held. This is why there will be even greater pressure to extradite Karadzic and Mladic, and the countries that turn a deaf ear to this demand risk sanctions.

FRY: Poll Shows Milosevic Most Trusted Politician

AU2207202796 Belgrade BETA in Serbo-Croatian 0836 GMT 20 Jul 96

[FBIS Translated Text] Belgrade, 20 Jul—Slobodan Milosevic is the politician Federal Republic of Yugoslavia [FRY] citizens trust the most, the latest Mark Plan Pancevo Marketing Center poll shows.

The poll, conducted from 24 June to 3 July on a sample of 2,448 randomly chosen respondents in 31 municipalities in the FRY minus Kosovo, 23.7 percent of the respondents said that they trust Slobodan Milosevic the most, but an even greater number, almost a third, said that they did not trust any politician.

Slobodan Milosevic is mostly trusted by respondents in Serbia and in Belgrade, while in Montenegro, people have the most trust—22.5 percent—in Montenegrin Liberal Alliance President Slavko Perovic, while 14.2 percent trust Montenegrin President Momir Bulatovic.

In Montenegro 10.2 percent of respondents trust Slobodan Milosevic.

Slobodan Milosevic heads the list of 10 most trusted FRY politicians, followed by Vojislav Kostunica (9.2 percent), Zoran Djindjic and Vojislav Seselj (6.7 percent), and Vuk Draskovic (5.4 percent).

Between 1.6 and 1.1 percent of respondents opted for Momir Bulatovic, Slavko Perovic, Mirjana Markvoic, Dragoslav Avramovic, and Dragoljub Micunovic.

Among those who have the most trust in Milosevic, the majority are over 54 years old (42.2 percent), while all other politicians are favored by people who fall into the 35 to 54 age group, or are younger than that.

People with only a primary school education have the most trust in Milosevic (41.2 percent), while people with high school or college education tend to trust the other politicians.

Over one-third of FRY respondents (36.5 percent) believe that there are no honest politicians, while every fifth respondent said that Slobodan Milosevic is the most honest politician.

The list of honest politicians continues with Vojislav Kostunica (9.4 percent), Vojislav Seselj (5.5 percent), Zoran Djindjic, and Vuk Draskovic, who 4.3 percent of respondents believe are the most honest politicians.

Less than 3 percent of respondents opted for Dragoslav Avramovic, Svetozar Marovic, Mirjana Markvoic, and Dragoljub Micunovic.

Every third respondent in Montenegro (33.9 percent) replied that there were no honest politicians, while 20.8 percent believe Svetozar Marovic to be the most honest politician.

In Montenegro 9.5 percent of respondents opted for Slavko Perovic and 4.2 for Momir Bulatovic, while 3 percent opted for Slobodan Milosevic.

FRY: Opinion Poll Assesses Voting Intentions

AU2307061996 Belgrade BETA in Serbo-Croatian 0836 GMT 22 Jul 96

[FBIS Translated Text] Belgrade, 20 Jul—In the forthcoming elections, the majority of Serbian citizens (25.6 percent) would vote for the Socialist Party of Serbia [SPS], while the number of those who abstained from answering exceeds 15 percent, researchers of the Pancevo Marketing Center Mark Plan agency said in Belgrade late last night, when they presented the result of the latest public opinion poll conducted in the Federal Republic of Yugoslavia [FRY].

The poll shows that 11.6 percent would vote for the Democratic Party of Serbia [DSS], while 8.5 percent would vote for the Democratic Party [DS] and the Serbian Radical Party [SRS].

The poll, conducted from 24 June to 3 July on a sample of 2,448 FRY adults, excluding Kosovo, showed that 6.6 percent of respondents would vote for the Serbian Renewal Movement [SPO], 4.5 percent for the Yugoslav Left [JUL], and 4.2 for the Joint Opposition.

The poll showed that if elections were to be held tomorrow, the SPS would garner 56.3 percent of the vote, since 43.7 percent of respondents said that they would certainly not vote for this party. Moreover, 16.9 percent of respondents would not vote for the SPO, while 12.6 percent would not vote for SRS candidates.

Next on the list are JUL with 5.9 percent, the DS with 1.6 percent, the Joint Opposition with 1 percent, and other parties with 1.8 percent.

In Montenegro 39.6 percent of respondents would vote for the ruling Democratic Party of Socialists [DPS], while 33.5 percent would not vote for it.

Moreover, 24.3 percent of respondents would vote for the People's Party of Montenegro, while 23.7 percent would vote for the Montenegrin Liberal Alliance; however, 21 percent of respondents would not vote for the Liberal Alliance.

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The SRS would get only 1.8 percent of the vote, while 22.2 percent of respondents said that they would not vote for the Radicals.

In Serbia 15.7 percent of respondents would not vote for any party, while in Montenegro only 2.4 percent would not vote for anyone. The poll showed that 10 percent of respondents in Serbia were undecided.

Serbia

Serbia: Milosevic Confers With Russia's Gazprom Chief

LD2207164896 Belgrade TANJUG in English 1622 GMT 22 Jul 96

[FBIS Transcribed Text] Belgrade, July 22 (TANJUG)—President of the Yugoslav Republic of Serbia Slobodan Milosevic conferred on Tuesday with the president of Gazprom, Russia's biggest gas company, Rem Ivanovich Vyahirev and his associates.

The meeting was also attended by Serbian Prime Minister Mirko Marjanovic, Serbian Vice Prime Minister Nedeljko Sipovac, Serbian Minister of Eneroy Dragan Kostic, executives of big Serbian companies Nis, Sartid and Progres and Russian Ambassador in Belgrade Yuriy Kotov.

The meeting focused on successful cooperation between the two countries, especially gas imports from Russia and joint realization of a major project on the construction of the southern section of Serbia's gas pipeline.

The several-phased project covers several directions which are technically and economically treated as separate parts. The first phase, to be carried out by June 1988, provides for the construction of a pipeline which will link the Yugoslav gas system in the south with Bulgaria. The gas shipped through that pipeline will meet Serbia's needs.

Many Yugoslav companies in the field of project engineering, assembly and civil engineering, will take part in this large-scale project.

Serbia: SDU Hails Karadzic Resignation

AU2207171996 Belgrade BETA in Serbo-Croatian 1358 GMT 20 Jul 96

[FBIS Translated Text] Belgrade, 20 Jul (BETA)—The Social Democratic Union [SDU] believes the withdrawal of Radovan Karadzic from public and political life marks the end of the career of a man who "will remain a symbol of a bloody and criminal war."

"He (Karadzic) has dragged our community down to the barbarian level, unfortunately, with significant help from the authorities and a great number of Serbian intellectuals," the SDU statement reads.

"The SDU hopes the resignation will allow for free elections in Bosnia-Herzegovina, that it will be the first step toward broaching the issue of personal responsibility of the main promoters of the policy implemented on in republic and that it will to cooperation with the War Crimes Tribunal in The Hague," reads the statement.

Serbia: Arkan Reported 'Alive and Well'

LD2207173396 Belgrade TANJUG Domestic Service in Serbo-Croatian 1558 GMT 22 Jul 96

[FBIS Translated Excerpt] Pristina, 22 Jul (TANJUG)—Zeljko Raznjatovic Arkan is alive and well, Branko Budar, vice chairman of the regional committee of the Party of Serb Unity [Stranka Srpskog Jedinstva—SSJ] in Kosovo and Metohija, said today.

Brudar told a news conference that he is in constant touch with Raznatovic and that the SSJ chairman will visit Kosovo and Metohija, duties permitting. He said that Raznatovic is currently engaged in the election campaign in the [Bosnian] Serb Republic and preparations for the elections in Montenegro.

According to the SSJ sources, the rumor was originally spread by the Serbian Radical Party as part of the election campaign [sentence as received]. [passage omitted]

Serbia: Banned SDA Leader Returns to Sandzak for Elections

AU2207194096 Belgrade DNEVNI TELEGRAF in Serbo-Croatian 22 Jul 96 p 2

[Unattributed Report: "Ugljanin To Arrive in 10 Days To Prepare the Party for Elections"]

[FBIS Translated Text] According to a source close to the Muslim National Council, DNEVNI TELEGRAF has discovered that the leader of the SDA [Party of Democratic Action] for Sandzak will return to Novi Pazar in 10 days and take part in the elections. Ugljanin, who is wanted in Yugoslavia, is currently in Turkey.

According to the same source, which wishes to remain anonymous, Ugljanin will fly from Istanbul to Belgrade on a plane owned by "a private airline company or a private businessman." It is expected that Ugljanin will hold a press conference as soon as he arrives in Belgrade. "The attorneys of Sulejman Ugljanin and the Muslim National Council have recently appealed to the Supreme Court of Serbia to revoke the registration of the SDA for Sandzak headed by Rasim Ljajic," says the TELEGRAF's source.

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The members of the SDA who support Ugljanin feel that Ljajic "is not the party's legitimate representative" and that the "real chairman is only Sulejman Ugljanin."

With his moderate and preparedness for dialogue, according to well-informed circles, Ljajic has nevertheless managed to gain a lot of sympathy not only in the Sandzak and Serbia, but also in Montenegro and Bosnia-Herzegovina, and especially significant is the international support he enjoys.

We Are Not Fundamentalists, We Recognize the FRY

"The Sandzak is a very important factor in the complete democratization and stability of the political and overall situation in the FRY," Izudin Susevic, chairman of the Reform Democratic Party of the Sandzak, said, commenting on the recent meeting that a number of parties from the Sandzak and FRY President Zoran Lilic held.

"Our encounter with President Lilic also means the breaking of the dangerous illusion that Sandzak parties advocate Islamic fundamentalism. On the contrary, the Bosniak Muslims of the Sandzak, who recognize the FRY, demand that they resolve all open issues by peaceful and democratic means," Susevic said to Montena-fax.

Speaking about the reactions of the leaders of some political parties as to "why President Lilic was rallying the people of Sandzak," Susevic said that their reactions were understandable, because in such talks they saw danger to their own policies.

"Talks with President Lilic were encouraging and represent a visible contribution to the implementation of cooperation in the Sandzak region with the official authorities of the FRY. The generally constructive stand of President Lilic, on the occasion of the return of Sulejman Ugljanin, chairman of the Muslim National Council, and the SDA for Sandzak, is indeed encouraging," Susevic pointed out.

[Box, p 2]

Credit for Peace in the Sandzak Belongs to the Bosniaks

"For war to flare up in the Sandzak one side was missing, the Bosniaks. That is why officially there was no war, which does not mean that the murdering and kidnapping of Bosniaks, and the burning of their houses was not everything," chairman of the humanitarian society 'Merhamet' from Novi Pazar, said in the latest issue of the local magazine HAS. [sentence as published]

"Because of the implementation of the idea of creating a greater Serbia—planned in Belgrade, the Bosniaks of the Sandzak have been cleansed from the area that comprises parts of the municipalities of Pljevlja and Priboj, which has created a demarcation line between Bosnia-Herzegovina and Serbia and Montenegro, and the Bosniaks have become refugees in their own country.

"These authorities have no compassion, no morals, the expelled citizens of their country continue to wander around the forests and suffer in various ways," Dr. Muric said.

Speaking about cooperation between the Red Cross and "Merhamet," Dr. Muric says that "at the beginning these relations were not good, because the local Red Cross organizations, in western parts of the Sandzak, helped some voivoda [Serb Chetnik military leader] from Foca to seek out Bosniak refugees who had fled from Foca and other towns in Bosnia-Herzegovina and found shelter in towns in Montenegro, and with the help of the Ministry of Internal Affairs of Montenegro, force them to go back and either be killed or used for exchanging prisoners."

Serbia: Subotica Requests Refugee Relocation, Repatriation

AU2307063596 Banja Luka GLAS SRPSKI in Serbo-Croatian 19 Jul 96 p 3

[Report by SRNA: "Refugees Denied Hospitality"]

[FBIS Translated Text] Novi Sad, 18 Jul—The Subotica Municipal Assembly's Executive Council has stated that a greater number of refugees than in other Serbian cities are currently residing in the municipality. That is why it has made the decision to submit to the Federal Government a request to relocate them to other cities, or to repatriate them.

The northern Backa weekly DANI writes that this only confirms the decisions passed at the Subotica Assembly Municipal sessions on 17 August and 18 October 1995.

"The decisions passed then have been confirmed now, which means that Subotica will not participate in the project of listing all abandoned and empty houses and property, nor will it secure accommodation for refugees," writes the weekly.

"Such decisions lead one to conclude that we are good hosts," the DANI commentator concluded sarcastically.

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Serbia: Weekly Views Strength of Armies in Ex-SFRY

AU1107081696 Belgrade NEDELJNI TELEGRAF in Serbo-Croatian 3 Jul 96 p 39

[Article by Nik Kotej: "Whose Army Will Be the Strongest in the Balkans?"]

[FBIS Translated Text]

Federal Republic of Yugoslavia: The Army of Yugoslavia Is Purchasing the Most Modern Russian Weapons

Following the breakup of the SFRY [Socialist Federal Republic of Yugoslavia], the JNA [Yugoslav People's Army] withdrew to Serbia and Montenegro where, after the proclamation of the FRY [Federal Republic of Yugoslavia], it was renamed the Army of Yugoslavia [VJ] despite the protests by the republics that seceded and the international community. By this very fact, the bulk of the former JNA's weapons have remained in the FRY. Some weapons were taken over by the Serbs in Krajina [Croatia] and some by the Serbs in Bosnia-Herzegovina.

On the basis of the quotas shown in the table below, the FRY must reduce significantly the size of the VJ's weapons and military equipment. This is an opportunity for the VJ to get rid of the old fashioned and obsolete weapons and to modernize itself. The old T-34 and T-55 tanks will probably be scrapped since, in view of the domestically produced T-84 tank, which has been acknowledged in the world, they make the tank stock unnecessary large (a small number will probably be retained for the training of tank drivers).

The VJ's Air Force must get rid of the surplus of obsolete MiG-21's and some domestically produced combat aircraft that cannot compare with the aircraft built with modern technology, which are equipped with modern electronics for operations in all weather conditions and by day and night.

Looking at the FRY's contacts with Russia (CIS), China, and some either countries so far, one can conclude that, considering that the talks were attended by the VJ representatives, talks have also been held on the purchase of modern weapons for the needs of the VJ.

According to the British publication, JANE'S DEFENSE WEEKLY, the Yugoslav Air Force will fill its squadrons with modern aircraft (of Russian manufacture), with MiG-29 M, SU-27 1B, and SU-34 aircraft. Regarding combat helicopters, the Air Force will most probably purchase Mi-28's and KA-50's. In order to boost the efficiency of the air defenses, the Army, as foreign sources claim, has agreed the purchase SAM Russian missile systems: the SAM-11, SAM-12, and SAM-19, as well as unspecified surface-to-surface missiles with extended range.

Such a rapid acquisition of weapons has been induced by the lifting of the embargo on purchasing arms, which some of the republics that seceded (from the former SFRY) have done for the sake of prestige, not sparing any money.

Republic of Croatia: Croatian Army Has Purchased Pakistani Surface-To-Surface Missiles With a Range of 600 Km

In the civil war in the former SFRY, the Republic of Croatia accomplished full sovereignty and statehood on the entire territory of Croatia and extorted recognition by the UN members.

Helped by its Western allies, the Croatian Army had armed itself within a very short period of time and now possesses formidable weapons that exceed the limit determined at the ministerial summit in Florence

The excess weapons will have to be reduced to a certain level. The Croatian Army will reduce significantly the number of tanks. Eighty percent of the tank stock is made up of M-84 and the Leopard 2 tanks. The remaining 20 percent is made up of T-34 and T-55 tanks. Croatia has mastered the production of M-84 tanks, which are being produced in Slavonski Brod in cooperation with Slovenia and Germany.

The Croatian Air Force has so far imported 60 MiG-29 aircraft from Germany. It paid half price for them. The aircraft came from East Germany, where they were left after the departure of the Russian units. It is a well known fact that, according to their tactical and technical characteristics, the MiG-29's are in the same class as the U.S. F-16's and F-18's.

In addition the existing helicopters, the "flying fortresses," the Mi-24, Croatia has also agreed to purchase 10 U.S. Navy helicopters of the SH 60B Sea hawk type, and 10 British Navy helicopters, the Lynx HAS MK-2. The helicopters are equipped with electronics and capable of carrying out antisubmarine and antivessel actions.

In order to increase its range capability, Croatia has purchased eight M-11 surface-to-surface missile systems with a range of 300 km. These can carry warheads of 800 kg. It has also purchase eight M-9 missile systems with a range of 600 km. These are capable of carrying 500-kg warheads. The accuracy of the missiles is between 200 and 300 meters. Both types of missiles are Pakistani-made, built according to Chinese license.

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The chief architects of the Croatian Army modernization are former JNA Generals Anton Tus and Janko Bobetko, helped by a group of retired U.S. and German generals. In addition to training the Croatian Army, they also work as lecturers at the military college in Zagreb. Croatia will spend about $5 billion on the purchase of arms by the end of 1996.

Muslim-Croat Federation: The Army of Bosnia-Herzegovina Is Waiting for the Delivery of Aircraft, Helicopters, and Tanks

Despite the international community's ban on the export of arms to the warring parties in Bosnia-Herzegovina during the civil war, the Western countries and some fundamentalist Islamic countries violated the ban and supplied the Bosnian Muslims with large amounts of weapons.

The Muslim leadership has succeeded in acquiring large amounts of explosive devices, even missiles filled with chemical (toxic) agents and radioactive missile filled with low-grade uranium.

It is a well-known fact that such missiles are banned by the Geneva Convention, but have been used in various sectors of the Serb Republic [RS] by the Muslim forces. At the end of the civil war, they had far more weapons than shown in the table thanks to the power wielders who do not want the quantity of weapons to be known, for reasons known only to them.

After the NATO "Deny Flight" operation, the Bosnian Muslim forces did not even need combat aircraft as the NATO forces bombed the positions and radar equipment of RS Army day and night on their behalf.

Now that the embargo on weapons has been lifted, the Muslim-Croat federation has immediately taken steps to obtain the combat aircraft, helicopters, tanks, and armored vehicles that it does not have. The old, proven friends of the Muslims have taken it upon themselves to immediately deliver the weapons in order to strengthen the Muslim state in the Balkans.

It remains to be seen whether Izetbegovic will respect the agreement on the weapons allowed, or whether he will continue to do what he did during the time of the embargo. It is well known that he has imported $460 million worth of weapons this year.

Serb Republic: RS Army Has No Money for Modernization

With the arrival of IFOR [Implementation Force], the Army of the RS no longer represents an important factor from the military point of view, especially in view of the fact that NATO aircraft destroyed all the radar hardware on Mounts Kozara, Majevica, Ozren, and Romanija. In this way, they disrupted the system of command and control of the air space over the entire territory of the RS.

According to the ministerial meeting in Florence, which is in line with the military part of the Dayton agreement, the RS has been allowed to arm itself (see table).

Of the existing tanks, 100 need to be overhauled. Eighty percent of the existing stock of armored vehicles needs to be overhauled.

As can be seen from the allowable military potential, the RS Army will be half as strong as that of the Bosnian Federation, which means definite defeat in a possible conflict. The modernization of the RS Army is not possible at present, as is difficult to see who would sponsor it.

	FRY	Croatia	B-H Federation	RS
Tanks				
—At present	2,500	748	100	400
—Allowed; deadline 1 Nov 97	1,025	410	273	137
Armored vehicles				
—At present	1,300	830	130	260
—Allowed; deadline 1 Nov 97	850	340	227	113
Artillery				
—At present	4,500	1,800	1,500	1,300
—Allowed; deadline 1 Nov 97	3,750*	1,500*	1,000*	500*
Combat aircraft				

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	FRY	Croatia	B-H Federation	RS
—At present	350	92	10	40
—Allowed; deadline 1 Nov 97	155	62	41	21
Helicopters				
—At present	120	28	8	30
—Allowed; deadline 1 Nov 97	53	21	14	7

FOOTNOTE: * Above 75-mm caliber

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